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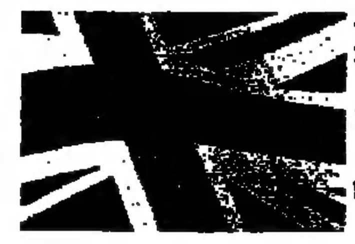

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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY DECEMBER 29 1994 — D8523A

González stands firm as Madrid stock market falls

The continuing slide on the Madrid stock market forced Spanish prime minister Felipe González (left) to deny persistent reports that he may soon be driven from office. He said he would stay, despite legal probes into the government's security services that have prompted opposition calls for him to resign. The market fell by nearly 4 per cent on opening yesterday, a new low for the year for the second consecutive day. It steadied later. Page 2; Lex, Page 10

CIA chief resigns: US Central Intelligence Agency director James Woolsey resigned, President Bill Clinton said.

Japan's surplus grows: Japan's surplus in trade and services last month showed the first year-on-year rise in five months, a preliminary report by the finance ministry says. Page 2

Goldman Sachs falls to fifth place: A difficult 1994 for Goldman Sachs will end with the publication of annual rankings showing that the investment bank slipped from second to fifth largest among Wall Street firms underwriting debt securities. Page 11

Guerrillas killed priests in hijack reprisal: Algeria's radical Armed Islamic Group, which carried out the Christmas hijacking of a French airliner to Marseilles, said it killed four Roman Catholic priests in a reprisal for the killing of four of the hijackers. Tension surrounds Algerians in France, Page 10

NTT told to open lines to competitors: Japan's telecommunications authorities have ordered NTT, the domestic carrier which has a virtual monopoly on local calls, to allow competitors access to its lines. Page 3; Spanish telecoms licence goes to Airtel, Page 12

Nokia to sell aluminium division: Nokia, the world's second biggest maker of mobile telephones, is to sell Nokia Aluminium as part of a plan to focus the Finnish group on its telecommunications operations. Page 11

Japan heads civil service pay league: Japan's senior officials are the best-paid among civil servants in leading states within the Organisation for Economic Co-operation and Development, a report says. Page 10

Pentos forces Athena into receivership: Pentos, the specialist UK retail group, forced one of its subsidiaries, the 157-shop posters and greeting cards chain Athena Holdings, into administrative receivership. Page 12

Japan and US to resume motor talks: Japan and the US are expected to resume negotiations on trade in vehicles and motor parts in the new year after a two-month hiatus in bilateral discussions on one of the most contentious trade areas. Page 3

Holiday group in talks with WestLB: First Choice Holidays of the UK is in talks with Germany's Westdeutsche Landesbank, which controls a 21 per cent stake in it, that could lead to boardroom changes. Page 12

Allianz in pact with Berner: Allianz, Europe's largest insurance group, consolidated its position among the leaders in the Swiss market with a co-operation pact with Berner Holding, one of Switzerland's top 10 non-life insurers. Page 11

Russian pledge on state sell-offs: Russia's privatisation programme will continue strongly next year and foreign investors can expect more security, the Centre for Privatisation said. Page 2

Bank of NY to buy ADR business: Bank of New York is to buy the American Depositary Receipt business of Bank of America in a deal that cements its position as the leading ADR bank in the US. Page 12

Cash for gas leak checks to be cut: British Gas is to cut the amount spent on checking for gas leaks from £9m to £1m year, a leaked report shows. The move was condemned as dangerous by union leaders, the main gas consumer group and Labour MPs. Page 4

Unemployment hits two workers in five: Nearly two out of every five British workers have recently experienced unemployment, according to previously unpublished figures from the Department of Employment released by shadow employment secretary Harriet Harman. Page 4

■ STOCK MARKET INDICES		
FT-SE 100:	3,065.8	(+12.4)
Yield	4.16	
FT-SE Eurotrack 100	1,346.89	(-1.59)
FT-SE-A All-Share	1,532.64	(+0.4%)
Nikkei	19,665.53	(-45.83)
New York: lunchtime		
Dow Jones Ind Ave	3,835.45	(-26.24)
S&P Composite	458.80	(-2.67)

■ US LUNCHTIME RATES	
Federal Funds:	5½%
3-mo Treas Bills: Yld	5.665%
Long Bond	96 12/32
Yield	7.789%

■ LONDON MONEY		
3-mo Interbank	6½%	(6 7/16%)
Liffe long gilt future:	Mar 102 7/32	(Mar 102¼)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$16.44	(15.88)

■ GOLD		
New York Comex (Feb)	$385.8	(383.3)
London	$382.0	(381.3)

■ STERLING		
New York lunchtime:		
$	1.559	
London:		
$	1.5447	(1.5465)
DM	2.4389	(2.4385)
FFr	8.3999	(8.4215)
SFr	2.0522	(2.058)
Y	155.944	(155.315)
£ Index	79.5	(79.7)

■ DOLLAR		
New York lunchtime:		
DM	1.5415	
FFr	5.4165	
SFr	1.3135	
Y	99.2	
London:		
DM	1.5737	(1.5768)
FFr	5.438	(5.4455)
SFr	1.3286	(1.3307)
Y	100.375	(100.43)
$ Index	63.7	(same)
Tokyo close Y 100.48		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk4.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 30	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
Finland	FM14	Kuwait	Fils825	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.60	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

Mexico seeks urgent help from IMF

Funds sought to back currency stabilisation plan

By Ted Bardacke in Mexico City and Stephen Fidler in London

Mexican government officials were holding urgent meetings in Washington yesterday to negotiate an emergency financial support package.

It came as doubts surfaced about Mexico's ability to repay holders of its dollar-denominated government securities.

The government, facing a financial crisis following a sharp devaluation of the peso over the past week, is seeking funds to back a currency stabilisation plan it is expected to announce in the next few days.

The meetings with the International Monetary Fund and other financing agencies were adjourned yesterday as an IMF mission headed to Mexico City.

The prospect of a rescue package – and rumoured but unconfirmed support by the New York Federal Reserve – helped the peso to recover yesterday. After falling 39 per cent since December 19 until Tuesday's close, the spot rate for the peso rose to 5.25 to the dollar at midday, compared with 5.6 at Tuesday's close.

The doubts about the government's ability to service debt arose after it became clear this week that many holders of so-called *Tesobonos* – short-term dollar-denominated securities issued by the government – would be unwilling to buy further securities as their existing paper matured. The central bank offered $950m in *Tesobonos* on Tuesday and only $27.6m was purchased.

Mexico has about $3.5bn in *Tesobonos* which will come due in the next five weeks, with $13bn more due between February and June. Some 80 per cent of these are held by foreign investors, many by US funds.

If the trend continues, the Mexican government will face further pressure on its already limited reserves, complicating the implementation of an economic stabilisation plan, scheduled for next Monday evening.

The central bank has further demands on its reserves. In addition to *Tesobonos*, in the next six months the government has some $5bn in other securities which come due, for which dollars could also be demanded, and a projected $7bn to $10bn current account deficit.

The central bank has about $6.5bn in foreign reserves plus $7bn in credit lines available from the US and Canadian governments. But analysts say that unless confidence is restored and investors decide to roll over some of their debt, there could be a liquidity crisis.

Should this occur, "the IMF would be a logical place to turn for support. Investors have a favourable view of the institution and that in itself would be a confidence booster", said Mr Lacy Gallagher, Mexico analyst at the international rating agency Standard & Poor's in New York.

Economists say the fundamental debt problem facing the government is not as profound as during the Mexican financial crisis of 1982. Over the past six years, the government has used privatisation revenues to reduce its debt significantly. It now stands well below 30 per cent of GDP, compared with more than 50 per cent in 1982.

Helped by the strengthening peso, the Mexican stock market recovered yesterday and was up 0.62 per cent at midsession. In New York, Mexican shares recovered slightly after Tuesday's falls.

Hualon chief indicted for share price fixing

By Laura Tyson in Taipei

Mr Oung Ta-ming, a Taiwanese tycoon and legislator, was indicted for share price manipulation yesterday after a spate of payment defaults sent the island's stock market tumbling nearly 15 per cent in one week during October.

Mr Oung is the effective head of the Hualon group, which includes a textile company earmarked to receive a UK government grant of £61m for a project in Northern Ireland.

The Taipei district court formally charged Mr Oung and 33 others with offences including violation of securities transaction laws, breach of trust and embezzlement. The maximum sentence is seven years in prison.

Prosecutors determined there was a case for Mr Oung to answer. He allegedly masterminded price-rigging of shares in Imperial Hotel through Hung Fu Securities, a brokerage indirectly controlled by him. With backing from underground financiers, Mr Oung and his aides were alleged to have lifted the share price from T$30 in January 1993 to a high of T$402 in August 1994.

The district prosecutor, Mr Chou Chi-jung, said that even as investigations into alleged share price manipulation proceeded, Mr Oung and his associates endeavoured to push the share price higher to continue borrowing money from financiers.

"Links between financial flows from stock manipulation and his [Oung's] personal bank account and [those of his associates] are very close," Mr Chou said.

The case was the third big stock market controversy in four years linked to Mr Oung, who, with other family members, controls a group of companies believed to be the island's 10th biggest industrial group.

The largest of these is Hualon-Teijran Corp, a listed textile concern, which earlier this year said it would build a £157m textile plant in Ulster with UK government subsidies.

Hualon-Teijran was not named in indictment documents released by prosecutors yesterday. Mr Oung is believed to control the company but occupies no formal position.

His younger brother, Oung You-ming, chairs the company and lives in Malaysia after leaving Taiwan following a 1990 share scandal which led to the fall of a cabinet minister. He has not returned to face charges arising from that case.

The elder Mr Oung was sentenced to 3½ years in jail for his role in that case, but following appeals the sentence was reduced to two and a half years and then, last week, to 26 months.

Mr Oung has yet to be imprisoned because he was elected to a parliamentary seat as an independent in December 1992, entitling him to virtual immunity from detention and arrest.

Moscow denies bomb attacks

Russian forces step up their Grozny attack

By John Lloyd in Moscow

Russian forces and aircraft stepped up their attacks on the Chechen capital of Grozny yesterday in what was reportedly the most bitter fighting so far in the 17-day war.

In Moscow, officials denied that the town was bombed after a promise from President Boris Yeltsin on Tuesday of a pause in the air raids. Reports from Grozny, though, said bombing of the outskirts had continued and that an orphanage had been hit, with no casualties.

The Russian government's press service said its forces were making "real advances" towards Grozny's outskirts, "carrying out the task of closing and tightening the circle round the Chechen capital".

President Boris Yeltsin said in his address to the nation on Tuesday that the circle around Grozny had been tightened.

Chechen officials confirmed the increased level of fighting, with the press service reporting that the Russian army "is trying to storm the city today".

That was denied in Moscow by Mr Oleg Lobov, secretary of the Security Council, which advises the president on security matters. But he admitted that the village of Petropavlovskaya to the east of Grozny, and Khankala airport near to the city, had both been taken.

Mr Yegor Gaidar, leader of the Russia's Choice group and Mr Yeltsin's harshest critic on the liberal wing of politics, said that "I was very happy when the president ordered the cessation of bombing in Chechnya", but he was "sorry that President Yeltsin lost this chance of seriously promoting negotiations that could lead to peace".

Mr Gaidar, a long-time supporter of Mr Yeltsin even after most other reformist politicians had given up on the president, gave an exceptionally pessimistic review of the Chechnya crisis to journalists. He said Mr Yeltsin was receiving false information, was "not in overall control" and had ceded authority to "those who are against Russian democracy".

The cost of the war would break the budget, rendering any aid from the International Monetary Fund useless and destroying the government's macro-economic policy – designed to attract more than $12bn in aid from the IMF and the World Bank in the coming year, he said.

"It is inevitable that military expenditure will increase, the powers of the police will increase, human rights won't be honoured, civilian institutions will be marginalised and the press won't be as free as it was," he added.

The signs are that Mr Yeltsin and the military commanders are now seeking a rapid end to the military operation.

The Russian parliament has begun its new year break, depriving deputies of a forum for dissent over the action in Chechnya.

However, the leaderships of both houses of parliament, who are ex-officio members of the Security Council, essentially support the continuation of the war. Mr Ivan Rybkin, leader of the State Duma or lower house, said yesterday that he "supports the president in his actions against the bandit gangs" – although he said a storming of Grozny should be avoided.

Russian pledge on state sell-offs, Page 2

Chechen refugees flee the regional capital Grozny yesterday. Tens of thousands of people were forced to leave their homes after Russian forces heavily bombed the regional capital Picture: Reuter

US diplomat seeks release of pilot held in N Korea

By John Burton in Hong Kong

A senior US diplomat arrived in Pyongyang yesterday to seek the release of a US army pilot whose detention by North Korea threatens its recent nuclear agreement with Washington.

The visit by Mr Thomas Hubbard, a deputy assistant secretary of state, follows that of a US congressman who last week helped to arrange the return of the body of the pilot's colleague, killed in the crash.

North Korea has said that it has delayed the repatriation of Chief Warrant Officer Bobby Hall, because he has not co-operated in its investigation of the straying of the reconnaissance helicopter into its airspace.

Pyongyang claims the helicopter was on a spying mission and has demanded an acknowledgement of guilt and an apology from the US. Washington said the helicopter flew into North Korea because of a navigational error.

But analysts say other reasons may account for North Korea's reluctance to release the pilot. One possibility is that it is trying to exploit the incident to gain new concessions from the US.

Pyongyang has been pressing Washington to sign a peace treaty that would formally end the Korean war of 1950-53, in the hope that this would eventually lead to the withdrawal of the 37,000 US troops in South Korea.

North Korea could argue that the incident underscores the need for such a treaty. It may also try to use the incident to force the US to speed the establishment of diplomatic ties with Pyongyang, promised under the nuclear accord signed in October.

The US also agreed to guarantee international aid, including the supply of safer light-water reactors, if North Korea dismantled its current nuclear programme, suspected of producing weapons-grade plutonium.

However, delaying the pilot's return carries risks for North Korea. US congressional critics of the nuclear agreement may use his continued detention as a reason to block the deal.

US critics of the accord say it gives too many concessions to North Korea. Mr Bob Dole, soon to become US Senate majority leader, was quoted yesterday as calling the agreement "a lousy deal" and that "you can't trust the North Koreans".

However, the delay may also reflect deep divisions between North Korea leaders over the nuclear agreement. Some South Korean officials believe that the northern military is at odds with its government over the agreement because it deprives the country of nuclear weapons.

President Bill Clinton yesterday renewed US calls for the prompt release of the airman. "There is no reason for his detention. They [the pilots] made an error, which we have acknowledged, and drifted into North Korean airspace," he said.

CONTENTS

González stands firm as market falls

By Tom Burns in Madrid

The continuing slide on the Madrid stock market has rattled the Spanish government and forced Mr Felipe González, the prime minister, to deny persistent reports that he may soon be driven from office.

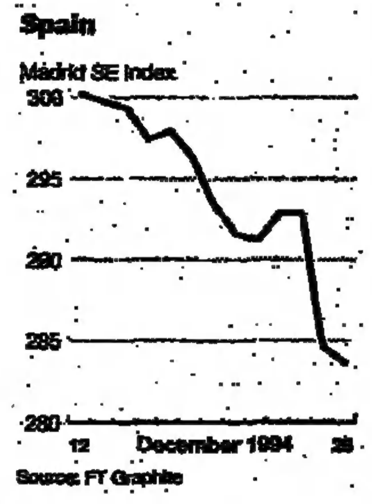
His office signalled yesterday his intention to stay, despite legal probes into his government's security services that have prompted opposition calls for his resignation.

"Speculation that the prime minister will stand down is completely groundless," said a senior aide to Mr González. "It is simply not on the agenda."

His government has been rocked in recent days by judicial investigations of an alleged misuse of reserve funds by interior ministry officials and of the role alleged to have been played by former high-ranking security officers in an undercover war against ETA, the Basque separatist group.

"The government has a clear programme for 1995, which includes important economic reforms and major European responsibilities in the second half of the year, during the Spanish presidency of the EU," the official said. "This requires firm government and the prime minister has the parliamentary support to deliver it."

Mr González's governing socialist party yesterday blocked an attempt by opposition groups to open a parliamentary investigation of the scandals that have involved the interior ministry and the security services.



The "business as usual" message came as traders said Madrid's stock market had clearly de-coupled from Wall Street and from the main European markets. The market fell by nearly 4 per cent on opening yesterday, though it then regained some ground, with the index finishing down 0.86 per cent at 283.59, a new low for the year.

"This is the worst December for 10 years on the Spanish markets," said Mr Juan Bastos, chief executive of the Madrid brokers Ibersecurities. The fall was "absolutely driven by political sentiment," he added.

Reflecting a high political risk premium, the 10-year Spanish Treasury bond, which had yielded 8 per cent at the begining of 1994, has hovered between 11.50 and 12 per cent in the past few days, maintaining a spread of more than 400 points against the German long bond. Tracking market sentiment, the Treasury yesterday boosted the marginal yield on its one-year bills by nearly half a point to 9.4 per cent.

The market nervousness coincided with a Madrid judge starting a legal probe of hundreds of bank cheques, drawn from the interior ministry's reserve account at the Bank of Spain, that were alleged to have been used to swell the pay packets of ministry officials and security chiefs.

The investigation, which could lead to charges of widespread embezzlement of public funds by a network of senior officials, is linked to a scandal involving a former head of the Guardia Civil, Mr Luis Roldán, who became a fugitive from justice in May when he had been accused of having enriched himself illegally.

A second Madrid judge has re-opened a case involving a death squad responsible for 23 deaths in the mid-1980s during operations against ETA. The renewed investigation follow a decision by two police officers, sentenced in connection with the squad, to provide further evidence that is alleged to incriminate their superiors.

The judge remanded three former security chiefs in custody last week and he is expected to indict more senior officials in connection with the case in weeks ahead. Mr José Barrionuevo, a former interior minister, said yesterday he would take legal action over press reports linking him to the death squad.

Russian pledge on state sell-offs

By John Lloyd in Moscow

Russia's privatisation programme will continue strongly next year and foreign investors can expect more real security, according to Mr Maxim Boiko, chief executive officer of the Centre for Privatisation.

Mr Boiko, whose agency is independent but closely linked to the government and to the reformers in it, said new laws on security markets, tax and property rights would address most of the main fears of foreign investors. "The government has taken their worries on board and you will see progress," he said.

He admitted, however, that Mr Vladimir Polevanov, who heads the State Property Committee - the main agency for executing privatisation - had "given grounds for concern that we would not keep up the momentum for privatisation". Mr Polevanov wants the aluminium industry renationalised for strategic reasons.

The momentum of the programme depends crucially on the success of a stabilisation plan which in turn depends on international aid to the 1995 budget of more than $12bn.

Mr Boiko said the government remained committed to:

● Sell the large proportion of shares it retains in semi-privatised industries, including energy. Under the special rules for oil, the government's shares may not be sold for three years, but, said Mr Boiko, "for many of them that time will be up next year and these shares will then be sold. Many of them are pressing for it."

● Continue privatisation of companies still in state hands by a cash system in place of the initial system of sales for vouchers given free to the population. The new system is scheduled to bring in Rbs9,000bn to the budget in 1995, though Mr Boiko said it would easily top that figure.

● Introduce a regulated securities market and a more transparent tax and share registration system, in order to attract a much larger amount of foreign investment than the $2bn-$2.5bn which has come in this year - an amount far exceeded by the amount of domestic capital fleeing the country.

● Press ahead more rapidly with the privatisation of land.

Insisting that even the sceptics in the government and in the enterprises were being won over to the privatisation programme – by far the world's biggest and fastest – Mr Boiko said there was now serious discussion of pushing privatisation into areas from which it had hitherto been excluded, such as the railways and health care.

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Milosevic silences opposition at home

The Serb president is tightening his grip, writes Laura Silber

Once denounced as the chief instigator of war in former Yugoslavia, President Slobodan Milosevic of Serbia, now praised by the west for his key role in efforts to end the violence, is quietly getting on with crushing the last remnants of opposition at home.

He has turned his attention to the independent media, political opposition and national minorities in Serbia, convinced that western approval entitles him to a free hand. While western governments count on him to broker peace in Bosnia, they appear to ignore the fact that since coming to power in 1987, his regime has fed on conflict.

The Serb authorities this week outlawed Borba, the only independent daily newspaper in Serbia. A city court ruled that Borba, which was privatised four years ago, was now state property. Journalists have a fortnight to report to the new editor-in-chief, Mr Dragutin Brcin, minister of information and a member of the ruling Socialist politburo.

Borba now comes out under Mr Brcin's supervision. His "official" edition is filled with unsigned pro-government articles and is sold in kiosks. But Borba journalists have not given up. Joined by liberal intellectuals, they brave the cold to hawk the "real", now illegal, version on the grey streets of Belgrade.

Why the seemingly omnipotent Serbian president would crack down on a newspaper with a circulation of 35,000 puzzles them. "Especially," said Mrs

Milosevic: repressive measures

Gordana Logar, editor, "when Mr Milosevic is now supporting peace, which we have always advocated". In the distorted landscape of Serbia, Borba somehow maintained high standards. It published news censored by all other Serbian dailies, opposing nationalist hysteria and offering Serbs an alternative to the state-run media's tales of foreign conspiracies and providing a bridge to the outside world.

At first, these steps appear at odds with the Serbian president's new role as a "man of peace", determined to re-join the international community. A European Union statement issued this week by Germany, the outgoing EU president, warned that the Belgrade regime's disregard for an independent media would be taken into account when considering Yugoslavia's re-integration.

In fact, Mr Milosevic's repressive measures have increased since five months ago he abandoned his protegés, the Bosnian Serb leaders, pronouncing himself in favour of peace in Bosnia. Almost unnoticed, the Serbian regime has unleashed a wave of terror in its southern province of Kosovo, killing, arresting or harassing hundreds of ethnic Albanians who comprise 92 per cent of the province's 2m population. Belgrade has also intensified arrests and Kafkaesque political trials in Sandzak, a Moslem-inhabited region which straddles southern Serbia and tiny Montenegro, the two republics that now comprise what remains of Yugoslavia. Non-Serbs make up a third of Yugoslavia's population of 10.5m.

The restive Kosovo remains the most volatile potential flashpoint in Serbia. This densely populated province, which was stripped of its autonomy five years ago, remains in the grip of the Serbian police. If violence were to erupt, Albanians from neighbouring Macedonia and Albania could take up arms to help their Kosovo kin. Diplomats worry this could ignite the Balkans.

While opposition parties hold nearly half the 250-seat Serbian parliament, they have virtually disappeared from public life. The Socialist MPs this week took advantage of an opposition walkout to adopt the state budget unanimously – and without any debate. Opposition MPs yesterday said the government was poised to introduce "special measures" in key municipalities where the Socialists were not in power. Mr Milosevic has used his iron grip over the state media to blame the opposition for rising economic deprivations and the massive increase in crime.

Indeed Mr Milosevic rules as if his quarrelsome opposition does not even exist. His wife, Mrs Mirjana Markovic – after her husband regarded as the most influential figure in Serbia and who makes known her views by publishing her diaries in a popular magazine – recently made clear her distaste for the parliamentary system. "Parliamentary democracy, for example, suits the English but really not does not look good on the Serbs," she wrote last week.

In former Yugoslavia, Serbia was the last of six republics to adopt a multi-party system. Mrs Markovic routinely mourns the fall of communism in eastern Europe, insisting that it was just a passing phase.

Meanwhile, the Serbian parliament has passed a law calling for the re-appraisal of all privatised companies. In short, what little privatisation has been achieved, less than 10 per cent of state-companies, will be largely reversed.

It seems, as one Socialist official recently confided, "everything must be under control – we will have to take important decisions". Perhaps fearing a backlash by Serbs, tired of extensive power cuts or the deteriorating economy, Mr Milosevic seems to believe that he will have to snuff out even the last flicker of opposition.

OBITUARY: KARL SCHILLER

Super-minister who fell in clash over D-Mark

Professor Karl Schiller, who has died at 83, was the West German "super-minister" who came spectacularly to grief in a conflict with the Bundesbank over exchange controls in 1972.

His resignation as economics and finance minister in defence of free market economics and strong budgetary policies in July of that year unsettled the Social Democrat-led coalition government of Chancellor Willy Brandt and, for a period, appeared to jeopardise its electoral prospects.

But Schiller lost influence after an ill-judged dalliance with the Christian Democrat opposition party ahead of the general election that November. Although he continued to be highly regarded as an economist, the re-election of Willy Brandt's left-liberal coalition meant Schiller was never again a political force in Germany.

Karl Schiller was born on April 24, 1911 in Breslau (now Wroclaw), in what was then German Silesia. After studying economics at the universities of Kiel, Frankfurt-am-Main, Berlin and Heidelberg, he began an academic career at Heidelberg in 1934 before moving in 1935 to the Institute for World Economy in Kiel where he headed a research group. After serving in the German army in the second world war, he returned briefly to Kiel before becoming professor of economics at Hamburg university, where he was rector between 1956 and 1958.

Schiller's involvement in politics began in 1946, when he joined the Social Democrat party. By 1948 he was economic senator in the federal state of Hamburg and an adviser to the economics ministry in Bonn. By the time the Social Democrats and Christian parties formed West Germany's "grand coalition" government in 1966, Schiller had held numerous party offices and was a member of the Bundestag, the lower house of parliament. He had played a key role in steering his party away from traditional socialism towards free market economic policies.

He was appointed federal economics minister in 1966 and for a time formed a remarkable partnership with Franz-Josef Strauss, the finance minister. At first sight, the young-looking, slight, bespectacled, didactic academic from Hamburg hardly seemed the type to coexist with the burly, beer-swilling leader of Bavaria's Christian Social Union. But Strauss was also a gifted, highly educated man with a powerful intellect. The two developed a mutual respect.

Together they steered the German economy to recovery after a shallow recession in 1967. However, tensions grew over how to respond to upward pressure on the D-Mark in the increasingly enfeebled post-war Bretton Woods fixed exchange rate regime. Breaking with conventional business opinion, Schiller came to recognise that revaluation was unavoidable.

> Successive governments supported his idea of a European joint currency float

When the coalition broke up in 1969, Schiller was one of the Social Democrat party's stars. His intellect, communication skills and mastery of economic policy, combined with the respect Germans of that time had for professors, were important in winning the electorate for the unknown: a Social Democrat-led government.

With hindsight, the election of September 29, 1969 was Schiller's high-water mark. He returned to government as economics minister – this time in a coalition with the Free Democrats. But storm clouds were gathering over the West German economy, largely because of its trading success relative to other industrialised nations.

At Schiller's behest, one of the new government's first acts was to revalue the D-Mark to DM3.66 to the dollar compared with DM4 previously. This, however, failed to stem the flow of speculative funds into Germany. Currency turbulence in turn increased inflationary pressure as Bundesbank intervention to curb the D-Mark's rise resulted in a sharp increase in domestic money supply.

Schiller won a temporary respite for the D-Mark by floating it against the dollar in May 1971. But the coalition also faced budgetary problems as it tried to meet its election promises for greater social expenditure after having promised not to raise taxes. Symptomatic of growing tension was the resignation, also in May 1971, of West Germany's finance minister, Alex Möller.

Schiller added Möller's portfolio to his own, becoming "super-minister". But he found his authority increasingly challenged as he tried to secure support in cabinet for spending cuts. Unrelenting speculative inflows into Germany, particularly after the D-Mark was repegged against the dollar in December 1971, brought him into conflict with Karl Klasen, president of the Bundesbank.

Klasen, like Schiller, was a Social Democrat from Hamburg. But there the similarities ended. Tall, commanding, with a dislike of detail, Klasen had come to the Bundesbank in 1970 from Deutsche Bank, Germany's most powerful commercial bank. He was far more concerned than Schiller that the rising value of the D-Mark would cripple the country's export industry.

Schiller was convinced of the need to revalue the D-Mark to safeguard Germany from imported inflation and advocated a joint float of European Community currencies to protect the country's competitiveness.

Tension between the two men reached crisis point at the end of June 1972 when Klasen, attending a cabinet meeting in Bonn, proposed exchange controls to combat the inflow of funds into the D-Mark. In a long and bitter resignation letter, Schiller complained that Klasen had sat next to him at a European Community meeting in Luxembourg only two days before without mentioning his plans, even though he had already advised the chancellery of them. In the letter, Schiller acknowledged that he was in conflict with the majority of the cabinet. "In this war of attrition – rich in personal defamations – the minister of finance and economics often stood alone," he wrote.

Professor Karl Schiller pictured in 1979 Reuter

Without doubt, Schiller's tangled personal life added to his problems. Four times wed, his marriage to his third wife, Eta, during 1971 attracted unfavourable comment and hostility in the Social Democrat party and undermined his standing.

His resignation from the cabinet was followed by his departure from the party presidium and the party itself. In the months following his resignation as a minister, there was intense speculation that Schiller would join the Christian Democrats in opposition to the Brandt government. He allowed his name to be used in the campaign against the governing coalition, but never jumped fully into the opposition camp.

Schiller's waverings made enemies across the political spectrum. Even the most charitable observers queried his judgment. Willy Brandt's election victory left Schiller politically high and dry.

Schiller's policies, however, survived his political eclipse. The final collapse of the Bretton Woods currency system in March 1973 meant that Germany again floated the D-Mark. The exchange controls that provoked Schiller's resignation had been inadequate to cope with huge currency inflows in a time of widespread international currency turbulence.

Successive West German governments supported and promoted his idea of a European joint float, leading to the creation of the European Monetary System in 1979. That was in large part the achievement of another super-minister: Helmut Schmidt, a pupil of Schiller's from Hamburg, who succeeded him as minister of finance and economics in 1972 before becoming chancellor in 1974.

The nature of Schiller's departure from government also had a profound effect on economic and monetary affairs in Germany and beyond by contributing to the reality and legend of Bundesbank power.

Peter Norman, Economics Editor

INTERNATIONAL NEWS DIGEST

Procter wins painkiller fight

Procter & Gamble, the US consumer products group, has won approval from a US court to continue its aggressive attack on the $2.4bn-a-year US market for painkillers. A district court judge in New Jersey ruled that Procter & Gamble was not engaged in misleading advertising for its new non-prescription pain-reliever, called Aleve. Procter & Gamble entered the market for pain-relievers in June this year in partnership with Syntex, a US drug company. It accompanied the launch of Aleve, an over-the-counter version of the drug naproxen, with television advertisements suggesting that the product was more effective than established products – notably Advil, an ibuprofen-based pain reliever made by another US drug company, American Home Products.

In August American Home Products filed a lawsuit against Procter & Gamble and Syntex seeking a preliminary injunction to stop the Aleve advertisements, claiming they were misleading consumers with "unwarranted and unsubstantiated" claims. Among the most serious, it said, was the suggestion that Aleve lasted longer than Advil because the dosing interval was longer. Procter & Gamble stood by its claims, and on Tuesday, a US district court ruled that American Home Products had failed to prove that the advertisements were false or misleading. Procter & Gamble said yesterday that it was "pleased, though frankly not surprised" by the ruling. American Home Products had no comment. *Richard Tomkins, New York*

German import prices rise

West German import prices moved up sharply between October and November, bearing out the Bundesbank's determination to combat future inflation as expressed in its money supply target for 1995. The November import price level was 0.8 per cent above that for the previous month and 2.2 per cent above November 1993, the federal statistics office said. The yearly rate was higher than the 1.9 per cent in both September and October. Producer prices have also been rising more rapidly. Both indicators suggest a later upturn in inflation.

The German central bank stressed its commitment to reaching its medium-term inflation goal of 2 per cent when setting its M3 target last week. Athough the 1995 target range is unchanged at 4-6 per cent, achieving it will mean a slower average rate of money supply growth than in 1994. The strong upturn in the economy this year has revived uneasiness about future inflation, although the rate of consumer price growth has been slowing. Provisional figures from four west German states showed a 2.7 per cent annual inflation rate in December (as in November) and the Bundesbank expects this to ease to under 2.5 per cent early next year. The average for 1994 was 3 per cent, the statistics office said. *Andrew Fisher, Frankfurt*

Assad in surprise summit

King Fahd of Saudi Arabia arrived unexpectedly in Alexandria yesterday for a summit meeting with President Hosni Mubarak of Egypt and President Hafez al-Assad of Syria. Mr Safwat el-Sherif, the Egyptian information minister, said it would focus on "resolving Arab differences and co-ordinating efforts towards solidarity on Arab, regional and international levels". There was speculation in Egypt yesterday that Mr Assad had sought the meeting to express his concern over the pace at which Israel was establishing relations with Arab countries, particularly in the Gulf, while still occupying large areas of Arab territory.

Israel is talking to Qatar about the supply of gas, while Mr Yitzhak Rabin, the Israeli prime minister, has just made a surprise visit to Oman. There has been no indication of an early Saudi move towards formal contacts with Israel, although Riyadh has given its blessing to the peace agreements involving Israel, the Palestine Liberation Organisation and Jordan. Syria and Israel have meanwhile made little progress in their negotiations over the Golan Heights, captured by Israel during the 1967 war. *Shahira Idriss, Cairo*

Rose in Bihac peace mission

General Sir Michael Rose, the UN commander in Bosnia, yesterday visited the Moslem enclave of Bihac, in an effort to halt fighting in the north-western region which jeopardises the implementation of a four-month ceasefire. Gen Rose, who until yesterday was prevented by Serb forces from visiting Bihac, met General Atif Dudakovic, commander of the Bosnian government Fifth Corps, for talks on implementing a truce in the region, encircled by Serb forces. Clashes in the Bihac region have thwarted negotiations on the details of a four-month cessation of hostilities, brokered by Mr Jimmy Carter, former US president, which is due to come into force on January 1. A temporary truce yesterday was mostly holding in the rest of Bosnia. Gen Rose also met Mr Fikret Abdic, renegade Moslem leader, whose troops have fought alongside the Serbs against the Fifth Corps. *Laura Silber, Belgrade*

India approves investments

The Indian government yesterday cleared 27 proposals for foreign investment worth Rs1.4bn ($44.6m). They include a joint venture between Pearson, owner of the Financial Times, and the New Delhi-based Hindustan Times group to produce television and video programmes in India, and the setting up of two subsidiary companies by Morgan Stanley. Pearson and the Hindustan Times media group, owned by the Birla family, will set up film and television production facilities in India with a third partner, the Hong Kong-based Television Broadcast (TVB). Clearance for the TV venture comes at a time when the entry of foreign companies into the print media is being hotly debated. Pearson's proposal for a joint venture between the FT and the Ananda Bazaar Patrika group's Business Standard newspaper has yet to be approved. The Hindustan Times-Pearson proposal has assured the government that it will not undertake any print media-related activities. *Shiraz Sidhva, New Delhi*

Clinton names farm minister

President Bill Clinton yesterday named Mr Dan Glickman, a veteran Democratic congressman defeated for re-election last month, to succeed Mr Mike Espy as US agriculture secretary. Mr Glickman's "knowledge, experience and understanding of the needs of the American farmer make him exactly the right person to become secretary of agriculture when we write the farm bill in 1995," Mr Clinton said. At a ceremony in the White House Rose Garden Mr Glickman referred to the challenge of the five-year farm bill that he must help craft. "Agriculture is not and should not be immune to change," he said. Mr Espy resigned after an independent prosecutor examining his acceptance of gifts from individuals and companies doing business with the agriculture department. *AP, Washington*

Plea to free Conde is rejected

Mario Conde, former chairman of Spanish bank Banesto, yesterday lost his appeal against a high court decision to remand him in prison on charges of fraud and misappropriation of Pta7bn ($52.5m). Under Spanish law, a judge can remand someone facing charges if there are reasons to suspect he will try to flee or destroy evidence. The judge's decision comes one year to the day after the Bank of Spain dismissed the bank's board and launched a rescue for Banesto. *Reuter, Madrid*

Court victory for oil rig victims

Survivors of the Cormorant Alpha helicopter tragedy in the North Sea off Britain and bereaved families may sue the Shell oil company for compensation in the US, where awards are likely to be higher, a Texas court has ruled. Eleven people died and six others survived when their helicopter plunged into the sea during a short flight in appalling weather in March 1992. Shell said: "Until we have a chance to study this in detail it would not be sensible for us to comment other than to reaffirm that we believe Scotland to be the appropriate forum for the resolution of this matter." *Press Association, London*

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was set up on 18 August 1994 through the merging of five companies (SIP, Italcable, Iritel, Telespazio and Sirm) that had until then managed Italian telecommunications separately, and has thus become a global operator in a completely new framework.

TELECOM ITALIA
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It is a joint-stock company with almost 70,000 investors and 18% of its share capital is held by foreign shareholders.

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(Francesco Chirichigno)
Managing Director

THE FIRST SIX MONTHS OF TELECOM ITALIA

The figures are in lira	30.06.94	31.12.93*
REVENUES (BILL)	14.276	23.404
ADDED VALUE (BILL)	11.345	18.164
ADDED VALUE / REVENUES (%)	79,5	77,6
GROSS OPERATING MARGIN (BILL)	7.994	12.327
GOM / REVENUES	56	52,7
OPERATING PROFIT (BILL)	3.136	3.796
NET FINANCIAL CHARGES / REVENUES (%)	5,3	9,8
PROFIT BEFORE TAXATION (BILL)	2.175	1.741
INVESTMENTS (BILL)	3.680	7.963

*1993 FIGURES REFER TO MERGED COMPANY SIP

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PROGETTO GRAFICO PUBBLICITARIO · IACOPINI • BICCARI · ROMA

PM reaffirms government's tax-cutting objective in effort to heal Tory wounds

Major appeals for unity on Europe

By David Owen

Mr John Major last night made his strongest promise yet to reduce income tax. He told senior Tory officials it was no longer a question of whether the government would cut tax, but of when.

In a pugnacious new year's message, delivered with his Conservative party trailing far behind Labour in successive opinion polls, the prime minister called for an end to his party's civil war over Europe. "United the Conservative party can continue to be invincible," he said. But he admitted the rift over Europe threatened "to destroy our party from within".

His words, in a letter to Tory constituency chairmen, cut little ice either with Labour or with Conservative Eurosceptics. Mr John Prescott, Labour deputy leader, said Mr Major had "confirmed his desperation over Europe and his unbelievable complacency over everything else".

Mr Major sought to portray himself as a mediator between the warring Eurosceptic and pro-European extremes in the Conservative party, saying he agreed with those who thought Brussels interfered too much in "day-to-day affairs". But he said the government had "won the argument" to ensure that Europe intervened as little as possible.

In comments made a week after new Treasury figures confirmed the amount of tax the government takes from the average family was set to rise again next year, Mr Major said the day ministers could revert to their "tax-cutting agenda" was getting closer.

Amid indications that the so-called "feel bad" factor among consumers may spread to business, the prime minister appeared to acknowledge that benefits of an improving economy were not getting through to voters. "People have been through the pain and not yet seen the gain," he said. "But the pain was necessary to create the present favourable prospects."

His remarks came after Labour leader Tony Blair said the Tories had lost credibility as the party of low taxation after raising taxes by the equivalent of 7p on the standard rate of income tax. The government would "insult the intelligence of the British electorate" if they expected people to be grateful for getting some of that money back, said Mr Blair, who will deliver his own new year's message later today.

He said tax cuts should not become "just another political ploy by the Conservatives to retain power".

Bad feeling about a good recovery, Page 8

Interest rates expected to stay unchanged

By Peter Norman, Economics Editor

Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, the governor of the Bank of England, reviewed monetary policy yesterday amid expectations that they would leave UK interest rates unchanged at least until their next monthly meeting on February 2.

As usual, neither the Treasury nor the Bank would reveal the conclusion of the hour-long talks, which were brought forward from early January because Mr Clarke this week leaves for a 12-day trade promotion tour in Malaysia, Thailand and Vietnam.

However, speaking after the meeting, Mr Anthony Nelson, Treasury minister, made clear that there would be no change in the thrust of policy in spite of weak consumer confidence. He told BBC Radio that the government would continue to set interest rates to maintain the momentum of recovery while bearing down on inflation now and in the future.

Analysts said they did not expect any decision to raise rates would emerge because the last meeting, when the chancellor increased base rates by 0.5 percentage points to 6.25 per cent on Mr George's recommendation, was as recent as December 7.

Although the City believes rates must rise further to curb inflationary pressures, there has been little economic news to trigger a further tightening of monetary policy since that date. Yesterday's discussions finished before publication of yesterday's report from the Confederation of British Industry pointing to a rise in pay settlements.

Mr Nelson predicted that the government's unpopular decisions of reducing public expenditure and increasing taxes would yield political as well as economic dividends. The government had "to stick to its last" on economic policy and could not "cut and run with the public finances", he said. The minister forecast that personal disposable income would increase next year in spite of tax increases and that there would be "further progress" both for government finances and those of the British people.

However, the Treasury's monthly monetary report for January, which was published to coincide with yesterday's meeting, said "continuing steady growth" in the economy was "concentrated in the company sector".

Floods hit southern Britain

Cyclists struggle through the streets of Hereford yesterday after several days of unrelenting rain which has swollen rivers and caused widespread disruption to transport.

Severe weather hit Wales and southern England, with the Meteorological Office warning of gales to come.

The National Rivers Authority, the body which oversees Britain's waterways, said yesterday that several major rivers were close to bursting their banks after heavy falls which had lasted most of the Christmas holiday.

InterCity train services were disrupted due to flooded tracks and road traffic was subject to widespread delays on the first full business day following the Christmas break.

In South Wales, where more than six inches of rain has fallen since Boxing Day, the towns of Bridgend and Pontypridd were among those at risk from flooding. In the south west, water authorities kept a round-the-clock watch as further heavy downpours were forecast.

The NRA issued flood warnings on 27 rivers and a severe weather warning was issued for the counties of Dorset, Sussex, and Hampshire. London Weather Centre last night forecast gales gusting to 70 mph and more heavy rain.

UK NEWS DIGEST

Vauxhall boosted by exports

Vauxhall, the UK General Motors subsidiary, has increased vehicle production by 5.9 per cent this year, helped by a recovery in exports to continental Europe.

Exports of the Vauxhall Cavalier (badged Opel Vectra) and Astra – which fell by 62 per cent in 1993 to only 39,932 – have more than doubled this year to 86,358, the company said yesterday. Total exports, including car-derived vans, have risen by 99.5 per cent to 91,535 this year and have more than compensated for a 15.6 per cent drop in output for the domestic market to 168,308.

Vauxhall's total vehicle production increased to 259,843 from 245,313 a year ago.

● LDV, formerly Leyland Daf Vans, is planning to re-enter the main volume markets of continental Europe in 1995, two years after it was rescued by a management buy-out from the financial collapse of the former Daf group.

The company, which has maintained a small dealer network in Spain, said it aimed to establish sales and marketing channels in Germany, France, the Netherlands and Belgium.

Gas cost-cutting row

British Gas found itself caught in another storm yesterday as a leaked memo showed sharp cuts in its budget for checking gas leaks.

The memo – sent out on December 5 by the company's newly created gas transportation arm Transco – said "revised procedures" would permit a cut from £9m to £1m a year now that safety had improved and pipeline modernisation was nearing completion.

Mr Nigel Griffiths, Labour's consumer spokesman, who published the memo, said: "British Gas cannot give an assurance that safety standards will not be reduced following a budget cut of this magnitude."

The cut affects the continuous surveying British Gas carries out on its thousands of miles of gas pipelines nationally. Much of the system has recently had its cast iron pipes replaced with plastic.

British Gas denied that safety was being put at risk. It said it would be "realigning" its survey to concentrate on those parts of the system that were more at risk or susceptible to leaks. This was "a better use of resources". The change followed an 18-month review and "benchmarking" against US practice.

Study highlights jobless

About 10.8m Britons have experienced unemployment during the past five years, nearly two out of every five workers in Britain, according to unpublished figures from the Department of Employment released today by Ms Harriet Harman, the opposition Labour party's spokesman on employment.

The proportion is highest among men. About 6.9m or 44 per cent of the male labour force had been jobless at some time since 1990. This contrasts with 3.9m women, a third of the female labour force.

"These figures explain why people at work continue to feel insecure," Ms Harman said. "They know from their own personal experience that unemployment is a threat which constantly hangs over them."

£4bn plan for airport

A private sector consortium has submitted plans to build a £4.5bn airport in the Vale of the White Horse area of Oxfordshire near Abingdon.

Provisionally called Lox, the airport would have two runways, be privately financed and owned, and operated by airlines. It is thought it could be open by the year 2007.

But the project faces fierce opposition. It would be on a greenfield site and would affect more than 3,000 houses. The consortium includes Ove Arup, the engineering company, and Pleiade Associates, the Bristol-based architects, and planning consultants.

The application would in the first instance be considered by the local county council, with the Department of the Environment having the final say.

Burger chain to expand

McDonald's, the hamburger chain, is to open more than 50 restaurants in the UK in 1995 creating more than 3,000 full and part-time jobs, the company said yesterday.

The £65m expansion will take its total number of UK outlets to about 630. McDonald's and its UK franchisees currently have some 35,000 UK employees, more than 98 per cent of whom work in restaurants.

Ulster talks offer

A group involved in arranging the loyalist ceasefire in Northern Ireland has asked the mainly nationalist SDLP to meet them for talks.

The Ulster Democratic Party who helped broker the end of the murder campaigns against Catholics have written to SDLP chairman Mark Durkan requesting a meeting with senior members of his party.

"There have been meetings before between members of the two groups but the latest move is the first attempt to establish formal, regular contact.

UDP leader Gary McMichael today confirmed that he was sending invitations to the SDLP and said he was confident of "a positive response".

However, Mr McMichael stressed that the discussions would not be a process of negotiation. "We want to meet representatives of all the political parties in Northern Ireland to exchange views on the political situation," he said. "It will simply be a matter of putting our cards on the table and asking the SDLP and others to do the same. It will give everyone a chance to see exactly where others stand before real negotiations begin."

Last night an SDLP spokesman said that the news was a "positive development" but could not comment further until the invitation was received.

The year of kaleidoscopic identity crises

Nigel Andrews looks back at the best and worst films of 1994

Tapping his pocket calculator, the British film critic works out that during 1994 he spent some 500 waking hours in darkened movie theatres.

How is he affected by this day-time dream life? Re-watching *Nightmare On Elm Street* on TV recently, I realised that it was all about us. We film critics too sink into dream states from which we emerge with a large quantity of traumatic baggage. We too have a difficult time, at day's end, sorting real life from fantasy.

In 1994 we endured exploding faces and showers of blood in *Pulp Fiction*. We sat through the Holocaust in *Schindler's List*. We died of Aids in *Philadelphia*. Worst of all, we spent 3½ hours galumphing across America with Forrest Gump, knowing that on returning to the real world we would be torn apart by Mr and Mrs Average Filmgoer for not liking the year's sentimental favourite.

Gump was overlong, self-pitying and speciously panoramic. The film's implied proposition was that Forrest Gump stands for us all. Sensible critics' counter-proposition was that Forrest Gump stands for absolutely no one. The movie itself was the product of a maudlin America desperate to portray itself as the world's Mr Innocent, even as it picks up the pieces of its own accident-strewn recent history.

Telephone sex on the side in Robert Altman's bitterly brilliant 'Short Cuts'; and Liam Neeson as the enigmatic hero in Spielberg's 'Schindler's List'

Even where Gump's chameleon experiences did coincide with the flavour of the year, that flavour was better caught and served in other films. Major theme of 1994: the protean self. We had Jim Carrey doing quick-change acts in *The Mask*, helped by belief-beggaring special FX. We had Robert Altman's bitterly brilliant *Short Cuts*, where Los Angeles is a city of seething, sleazy, metamorphic humanity (so true) in which the Good Mother does sex phone-calls on the side and the Good Cop rescues dogs and has adulterous affairs.

As for the year's best independent movie, that too was about kaleidoscopic identity: *32 Short Films About Glenn Gould*. Canadian film-maker François Girod took a real famous person (unprotestingly deceased) and broke him into shiny dramatic pieces like an animated mosaic. The film, dazzlingly clever and funny, shattered our preconceptions about what bio-pics can and cannot do. Most of all they can – and should – show the several dozen selves of which a single human being is made up.

If 1994 was the year of the de-centred hero, could this possibly have had to do with our leaders?: with having two western premiers in particular who are resonantly ATTAP (all things to all people). While *Gump* openly invoked Bill Clinton – down to the grainy news-shot of our hero shaking hands with JFK – Britain's top movie commercially was *Four Weddings And A Funeral*. In this a likable silly ass dithers around the British landscape trying to turn non-commitment into a form of evangelism. Hugh Grant, we suspect, was the matinee idol's answer to John Major.

But we are talking of men. Were there no heroines? Here we must draw attention to the chronic catch-22 concerning women in popular movie culture. Whenever in western history the female sex hangs back socially and professionally (as in the 1950s), women are relegated to helpmeet or romantic interest roles on screen. The iconography fills up with June Allysons and Jane Wymans. Yet when the female sex bounds forward, as it has since the New Feminism began, women on screen may end up being sidelined even *more* drastically: by a paranoid patriarchy fearing for its pecking place.

So in 1994 Jodie Foster paid for her Oscar-strewn recent history by being cast as Mel Gibson's moll in the year's top no-brainer, *Maverick*. Michelle Pfeiffer, once a tough, intelligent kookie, was demoted to lycanthropy bait for Jack Nicholson (*Wolf*). Diane Keaton, once the quirkiest leading lady in Hollywood, gave up on solo leads and went back to being Mistress Woody Allen in *Manhattan Murder Mystery*.

As for the appalling *House Of The Spirits*, it managed to lock up both Meryl Streep and Glenn Close, and throw away the key, in a hacienda ruled by barking-mad male chauvinist Jeremy Irons: a sort of Hollywood studio chief translated into Chilean landowner.

Hollywood the boys' club: it would be funny if it was not tragic. Compare Europe and points east. Here the year's key films nearly all centred around women. Kieslowski's *Red* gave us Irene Jacob manfully – *womanfully* – holding the line for honesty and human values against paternalist voyeur Jean-Louis Trintignant. In *The Scent Of Green Papaya* a lithe camera rhymed the baroque beauties of a middle-class Vietnamese house with the anfractuous mysteries of its heroine's mind. And in China's *The Blue Kite* – the best Maoist fresco in a busy year for the sub-genre – women characters were as strongly, subtly dimensionalised as the men.

At least America gave us *Go Fish*, a grainy, uninhibited comedy of lesbian life. But that was low-budget and independent. So were two other films from North America that were among the year's best. Atom Egoyan's *Calendar* played hide-and-seek with reality in a mock-autobiographical tale of the film-maker's splintering marriage: set against the mosaic landscapes of Armenia and Toronto. And Kevin Smith's *Clerks*, a brilliantly profane tale of sex, death and existence in a convenience store, was shown at the London Film Festival and should be released next year, though not for good behaviour.

In Britain the doors have long clanged shut on creative vitality. The triumph of *Four Weddings And A Funeral* was good news and bad news. Good that it became, worldwide, the most successful British film in history. (In Britain itself it was number one above *Gump*, *Mrs Doubtfire* and *The Flintstones*.) Bad that British cinema can only "click" abroad, and seemingly at home, by reviving those fluffy notions of Old Blighty in which our kingdom is filled with champers, silly ass-ness and oh-I-say accents.

Don't blame the movie. Blame the other movies: the slew of made-in-UK horrors like *Shopping*, *Funny Man*, *Staggered*, *Deadly Advice* and *Decadence* in which British film-makers behaved, in this 99th year of movie history, as if none of them had ever picked up a movie camera before.

A camera is indeed a dangerous and daunting object: fed with light, it captures life. But perhaps "life", rather than technology, is where British cinema comes unstuck.

We seem unable to define what life *is* in this country. We wander about in half-worlds belonging to other times (*Four Weddings*) or other people (the Americanisms of *Shopping*). Perhaps we should celebrate the cinema's hundredth birthday by beginning again: first by finding out who we are, only then by trying to pin it down on celluloid.

And the top 10 films of 1994?

Short Cuts, *32 Short Films About Glenn Gould*, *The Blue Kite*, *Go Fish*, *Dear Diary*, *The Scent Of Green Papaya*, *Manhattan Murder Mystery*, *Calendar*, *Schindler's List*, *The Mask*.

Pirouettes and pliés around the world

Clement Crisp recalls the splendours and miseries of dance during the last 12 months

It was not, in retrospect, too bad a year for dance. As the months passed, with their toll of the damned, the doomed and the desperate – the dire Bill T Jones Company, the Washington Ballet, the Anjelin Preljocaj troupe, Les ballets Jazz de Montreal; the unveiling of the Royal Ballet's eyesore *Sleeping Beauty*; *Symphonic Variations* mauled by inept casting; Rambert's despicable *Garden of Earthly Delights*; the killing off of London Contemporary Dance Theatre – I felt 1994 was *annus horribilissimus*. But there were also splendid things in creation and performance, and too many not to put the year's accounts into the black.

The Edinburgh Festival did dance-lovers proud with the return of Mark Morris bringing his breathtaking *L'Allegro*; with the Miami Ballet's vivid accounts of a Balanchine repertory; with a Merce Cunningham visit. Equally bracing the appearance of Twyla Tharp's dancers at Riverside Studios – purposeful, stylish. Home-grown talents made exhilarating work. Jonathan Burrows' *Our* was a span of fascinating activity, with Lynne Bristow (a fine classicist turned fine modernist) magnificent in it. Michael Clark's *O* was luminous, revelatory, *Apollo* rethought. Richard Alston's dances for his new group brought allusive, poetic versions of *Petrushka* and *Les Illuminations*. Siobhan Davies' *The Glass blew in* was like gazing at refractions of a mysterious image. Kim Brandstrup's *Othello* was a bold commentary upon the play, with Irek Mukhamedov its tremendous heart. Mark Baldwin made witty, emotionally sly dances.

We have much to celebrate with such creators, and Channel 4's season of *mauvais quarts d'heure* from international dance-bores – *Tights, Camera, Action* – was all the more unworthy. Veils can be drawn over the appearance of Momix, over Lucinda Childs' frigidities, Adventures in Motion Pictures' addled *Highland Fling* (*La Sylphide* as a haggis), and examples of Eurotorment, not least Wim Vanderkeybus' *Mountains made of barking* about a trip to North Africa. There were unlikely callers. The Spanish National Ballet looked both un-Spanish and un-balletic. The feeble Cape Ballet's visit was premature. Takarazuka offered cohorts of Japanese ladies and gentlemen (who were also ladies), a stuffed sea-gull, and inscrutable performance. There were unspeakable others.

I derived great pleasure from the Opéra Ballet in Paris. The company is crammed with tremendous dancers, young talents nipping at the heels of the *étoiles*, as I noted in programmes devoted to *Jeunes danseurs* and bravura accounts of *Etudes* and *Le Palais de cristal*. The repertory was imaginative – three assured creations by Roland Petit; a Nijinsky evening which brought an odd guess at his *Tyl Eulenspiegel* – and interpretation was superb, with glorious dancing by Elisabeth Platel (a sublime Nikiya), Monique Loudières, Manuel Legris and the newest étoile, Nicholas le Riche, among many others.

I reported on the San Francisco Ballet's Paris appearance with Mark Morris's daring *Maelstrom*; on the Royal Swedish Ballet's excellent *Don Quixote* with the gifted young Jan-Erik Wikström; on the celebrations which marked Frank Andersen's jubilee with the Royal Danish Ballet; on the Royal Ballet of Flanders' engaging *Coppélia*. I reported on an awful *Coppélia* staged by Oleg Vinogradov for the Kirov Ballet, and on that company's frigid account of *Fountain of Bakhchisaray*, an important old Soviet ballet made bearable only by Sylvie Guillem's physical passion.

For an Honours List of performances, I must nominate Stephen Jefferies' commanding Drosselmeyer in the Royal Ballet's *Nutcracker*, a poetic heart for the staging. In a year when *Sleeping Beauty* was put on the rack at Covent Garden, Scottish Ballet's modest version was illuminated by Ludmila Semenyaka, whose exquisite Aurora told of the grandest Russian classicism, and I saluted Yurie Shinohara's sweetly danced Princess Florine in the same staging. The Kirov ballerina Lubov Kunakova was a Giselle in the great tradition, on tour with the small but serious Moscow Festival Ballet. Cumbre Flamenca came back to London, feet and souls a-fire, and Mariquilla and Juana Amaya tore like things divinely possessed into the dance.

In its unfussed *Giselle*, gallant London City Ballet showed us the touching artistry of Kim Miller. English National Ballet's Thomas Edur is an impeccable classical artist, noble in means and expression. His Prince in *Sleeping Beauty* was an interpretation of first importance. Irek Mukhamedov, a dancer of unique power, found meaning and truth in every role. From Sylvie Guillem, a vivid Natalya in *A Month in the Country* – Jonathan Cope and Sarah Wildor excellent as Belyayev and Vera in this same ballet – while Guillem's blazing Kitri cast welcome light amid the dankness of Covent Garden's *Don Quixote*.

The Bolshoi Ballet, riven by problems about artistic policies and structural survival, cancelled a regional tour. Rambert Dance was re-launched with a repertory that did less than justice to a fine roster of dancers. Birmingham Royal Ballet staged three important revivals: Ninette de Valois' *Job*, Ashton's *Enigma Variations*, and Massine's *Le Tricorne*. The company also acquired Agnes de Mille's *Fall River Legend*, hokum justified by the presence of Marion Tait, a dramatic artist of wonderful intelligence. English National Ballet continued to show strong dancing, and its medium-scale tour of the regions brought a clever *XNTricities* from Mauro Bigonzetti, which was given a ripsnorting performance, while a welcome staging of Balanchine's *Square Dance* had the dashing young Giuseppe Picone in it. ENB's new *Giselle* was wrong-headed in its 1920s Austrian setting, but Derek Deane respected the text and made the second act properly haunted.

The most haunted staging of the year was the Royal Ballet's misbegotten *Sleeping Beauty*. Anthony Dowell's production sank beneath Maria Bjornson's capricious ideas of baroque architecture and costuming. I thought it an unmitigated disaster, unworthily danced. An Ashton celebration was a good idea let down by weak casting and unidiomatic style, not to be excused by injury. What used to be subtle, musically and physically deft, looked coarse, numb. The company put on works by Ashley Page, Matthew Hart, William Tuckett – its Dance Bites tour with new short choreographies an excellent scheme – but it is disquieting to see a national ballet so uncomfortable with both its classical and Ashtonian birthright. The treasures of its repertory need to be re-furbished, and polished. Another Forsythe ballet and a revival of the flaccid *La Ronde* later this season are no answer to anything, save an unwise quest for the modish and the mediocre. New Year resolutions need to be made in Floral Street.

Alastair Muir

Irek Mukhamedov, a dancer of unique power, found meaning and truth in every role

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8

● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15pm; Jan 4, 5, 8

■ BERLIN

CONCERTS

Philharmonie Tel: (030) 2548 8132

● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gustafsson plays Schumann at 8 pm; Dec 30, 31 (5.15 pm)

OPERA/BALLET

Deutsche Oper Tel:(030)3 41 92 49

● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Göz Friedrich at 8pm; Dec 31 (5.30 pm) ; Jan 8,

● Don Giovanni: by Mozart. Conducted by Christian Thielemann, production by Rudolf Noelte at 7 pm; Dec 29

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 1, 4, 7

■ BOLOGNA

OPERA/BALLET

Teatro Comunale Tel: (051) 529999

● Serse: by Handel. An English National Opera of London production at 8.30pm; Dec 30; Jan 3, 5, 8

■ LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30pm; Dec 31; Jan 1, 2

● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8pm; Jan 7

Festival Hall Tel: (071) 928 8800

● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johan Strauss Dancers plays a programme of music by Strauss. First performance at 3.15pm, then at 7.30pm; Jan 1

GALLERIES

Hayward Tel: (071) 261 0127

● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes a section on German Expressionists; to Jan 8

Serpentine Tel: (071) 402 0343

● Rebecca Horn: major exhibition of works by the German artist including, "Kiss of the Rhinoceros"; to Jan 8

Tate Tel: (071) 887 8000

● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET

Festival Hall Tel: (071) 928 8800

● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30pm; to Jan 2 (Not Sun)

Royal Opera House Tel: (071) 340 4000

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30pm; Dec 30, 31; Jan 3

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30pm; Jan 5

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30pm; Jan 4 (2pm)

THEATRE

Barbican Tel: (071) 638 8891

● New England: World premiere of Richard Nelson's new play. Finishes today, at 7.15pm

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30pm; Jan 7 (2.15pm)

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30pm; Dec 29 (2.15 pm), 30, 31 (2.15pm); Jan 2

Queen Elizabeth Hall Tel: (071) 928 8800

● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)

■ NEW YORK

GALLERIES

Brooklyn Museum Tel: (718) 638 5000

● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)

Metropolitan

● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860s; to Jan 8 (Not Mon)

● William de Kooning's Paintings; to Jan 8 (Not Mon)

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8pm; Dec 29, 31; Jan 5, 7

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8pm; Jan 2, 6

● Madama Butterfly: by Puccini at 8pm; Dec 30; Jan 4, 7

● Peter Grimes: by Britten. English at 8pm; Dec 31; Jan 3

New York State Theater Tel: (212) 870 5570

● The Nutcracker: by Tchaikovsky, performed by the New York City Ballet. Tue-Thu 6pm. Fri 8pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE

Manhattan Theatre Club Tel: (212) 581 1212

● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8pm; to Jan 1 (Not Mon)

Richard Rodgers Theatre Tel: (212) 307 4100

● A Christmas Carol: engaging one-man show of the classic with Patrick Stewart at 8pm; to Jan 8

■ PARIS

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30pm; to Jan 7

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St Petersburg at 8.30pm; Dec 29, 30, 31

Opéra Comique Tel: (42 96 12 20

● Magic Flute: by Mozart. Conducted by Claire Gibault, produced by Louis Erlo at 7.30pm; Dec 29, 30, 31

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30pm; to Dec 31 (Not Sun)

■ WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9pm; Dec 31

GALLERIES

National Gallery Tel: (202) 737 4215

● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

Sackler Tel: (202) 357 2700

● Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th-16th centuries; to Sep 24

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8pm; Jan 7 (7pm)

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7pm; Dec 31; Jan 2, 8 (2pm)

THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066

● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8

Olney Tel: (703) 924 3400

● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30pm; to Dec 31

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY

NBC/Super Channel: FT Reports 1230.

TUESDAY

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY

NBC/Super Channel: FT Reports 1230

FRIDAY

NBC/Super Channel: FT Reports 1230

Sky News: FT Reports 0230, 2030

SUNDAY

NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730;

MANAGEMENT: MARKETING AND ADVERTISING

Australia is waking up to ecotourism, but so are the unscrupulous operators, finds **Nikki Tait**

All aboard the nature tour

The promotional brochure is seductive. There are pictures of stark rocky hillsides rising from translucent waters, bathed in a purplish light. Inside, on grain-flecked paper, the Tasmanian holiday operator promises "a place which remains pure, unpolluted and free from man's heavy hand".

Only the price – A$895 (£445) for a four-day walking tour, with three nights accommodation – seems a little steep. But, then again, it is not every day that one can stay in a "minimal impact" lodge, which depends on solar-electric energy, composting toilet technology and stores its rain water.

Ecotourism – that is, nature-based holiday activity that aims to leave the environment intact – has become something of a buzzword within the leisure industry. A little belatedly, Australia is scrambling on board. Its federal government launched a national ecotourism strategy this year and backed up the fine words with A$10m.

There are two main reasons for the official enthusiasm. First, the concept appears tailor-made for the country. With a population of 18m spread around a land mass the size of the US, Australia has always sold heavily on its raw and impressive natural features.

Official figures suggest that 90 per cent of international visitors come for non-business reasons, and that perhaps 80 per cent already spend part of their time on extended outdoor activities – even if it is only jumping the surf at Sydney's Bondi beach, or viewing the fairy penguins on Victoria's Phillip Island.

Second, the nation has big ambitions for its tourism industry. Yet it has seen enough unattractive development on its own shores and among Asian neighbours' to be aware of the dangers of unfettered expansion. The skyscraper condominium buildings that line Queensland's Gold Coast and shade the beaches serve as a warning. The Tourism Forecasting Council recently predicted that the country could attract 6.2m visitors by 2000, double the number arriving in 1993.

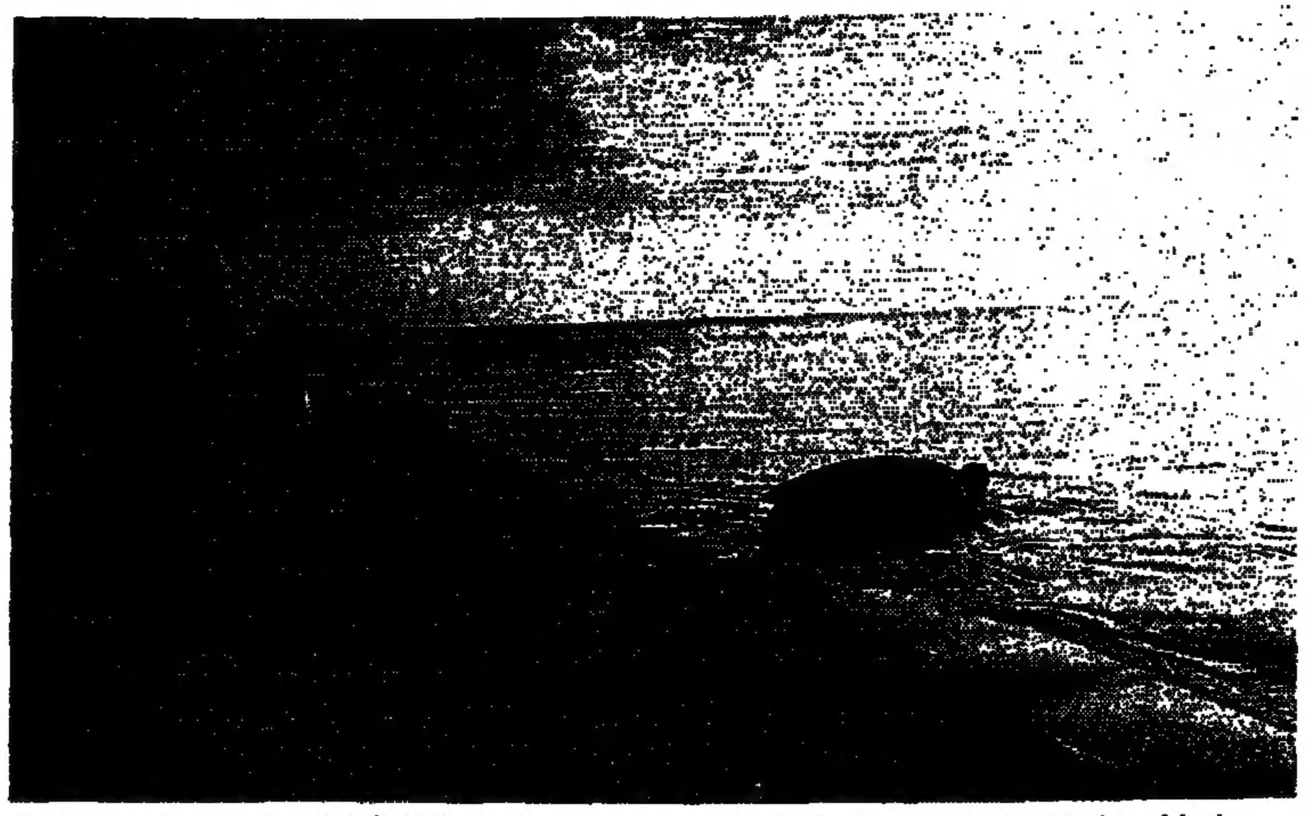
But while the concept seems admirable in theory, Australia is finding that marketing ecotourism is not without problems.

For a start, definitions of ecotourism are fuzzy, and it is relatively easy for less scrupulous operators to jump on the "ecotour" bandwagon. As the Wilderness Society pointed out recently: "Four-wheel driving and horse riding do not belong in more remote areas of the bush . . . and could scarcely be called ecotourism. Currently, however, there is nothing to stop such ventures painting a big ecotour operator sign on the side of their vehicle."

Even the most scrupulous customer can be misled. One consumer advocate group points to the numerous companies offering adventure or nature cruises around Queensland's Barrier Reef. While these sound harmless and the promotional material is thick with pictures of clear water and marine life, many dump sewage at sea.

In an effort to address these problems, the government has proposed a formal system of accreditation for ecotour operators, and asked for comment. In general, environmentalists think the notion is fine in principle. Already there is debate over who should supervise the scheme, how big industry's input should be, and where the standards should be set.

Ideology may be running ahead of the market. Sydney, the starting-point for many international visitors, does boast one travel agency specialising in ecotours, but many of the conventional travel consultants blink at the concept.



Aiming for an element of 'scarcity': At P&O's resort on Heron Island, waste is recycled and barged back to the mainland

"It is not something people request, although they are usually pleased to hear about environmental features," says the Australian Travel & Information Centre. "I think it will come – but in the main, people really don't care when they're travelling," says Jack Dart, head of the Australian Federation of Travel Agents.

Australian Consumers Association, which was involved in publishing an ecotourism guide last year, reports an uninspiring response to the book, the first of its kind in Australia. A report form at the back asked readers to comment on the 300-plus holiday operators listed. Just one non-industry response came in.

Related to this is the question of the commercial viability of ecotourism projects. The more genuine environmental efforts – such as the Tasmanian example – usually entail an extra cost for their operators. While this can be passed on to dedicated environmentalists, the scope for a rival operator to undercut and lure away less committed consumers is considerable.

"If you're saving the last blade of grass, the resort has to generate the funds to justify it . . . and if the resort goes under and is vacant, that's the worst kind of ecological damage," notes Dart.

Phil Young, managing director of P&O Holidays Australasia, which is probably the country's largest ecotourism operator and runs environmentally-friendly lodges in Tasmania and Queensland, is more optimistic. He points out that much depends on the resort's position. A careful ecotourism operator, he says, will always aim for an element of "scarcity".

For example, P&O runs a resort on Heron Island which, unlike most resort islands in the area, is part of the Barrier Reef. The only other occupants are a marine research station and a ranger base for the National Park. All waste is recycled or barged back to the mainland, and by agreement P&O is responsible for the supply of services to the whole island.

"You get benefits in other ways," he adds. "There tends to be higher occupancy, you don't have to discount, and advertising costs less. Moreover, with a number of medium-sized eco-resorts, you start to get economies of scale in management. But a very small operation would be difficult to make work."

Destination France

Michael Skapinker on French attempts at direct marketing in the UK

Jill Lucas was wondering where to go with her top 50 sales people when she received a leaflet in the mail suggesting she take them to the south of France.

Lucas, marketing executive of Rentokil Healthcare, had once taken a sales group to Paris, but she thought the south of France option was probably too expensive. The leaflet persuaded her otherwise, and in October she took the sales people, who had exceeded their targets in selling washroom soaps and related products, to Nice.

Lucas was one of the successes of a marketing campaign launched three years ago by the UK branch of the French Government Tourist Office.

Bernard Crouset, deputy director of the London office, says that, like most tourist boards, the French organisation had traditionally been reactive. It saw its job as responding to queries from people planning to visit France and to show the country's wares at trade fairs. It did not approach potential visitors directly. Instead, it advertised France in the newspapers and on television.

But the French tourist board decided to see whether direct marketing – which has long been used to sell products and services – could be used to promote a country. In particular, the tourist board wanted to know how to approach directly the managers in companies who organise conferences and "incentive trips", given as rewards to successful staff members.

The French organisation decided to try its direct marketing in the UK first because France was already a well-established destination for British travellers.

Conference and incentive trip visitors are valuable customers because they spend so much more than leisure tourists. Their flight and hotel expenses have usually been paid for by their employers, leaving them with more spending money than tourists.

Those going on conference trips also tend to be achievers with higher levels of disposable income than many tourists.

The French tourist office asked the Marketing Organisation, a UK company, to compile a database of managers in British organisations responsible for conference venues.

The Marketing Organisation compiled a list of 3,000 UK decision-makers and wrote to them directly. If they expressed an interest in visiting a particular region of France, tourist and conference officials from that area would be brought to the UK to press their case.

Emmet Hart, the Marketing Organisation's sales and marketing director, says keeping the database up to date is an onerous task. In constantly revising the database, the Marketing Organisation has found that about 25 per cent of its information becomes out of date each year as conference decision-makers move to other positions or to other companies.

Crouset insists, however, that the effort is worth it. First, the direct marketing of France in the UK has turned out to be remarkably cheap. The budget for the whole programme is only £240,000 a year, of which the tourist office pays only a quarter. The remainder has been met by the various French regional governments and by Air France.

Second, Crouset says that over the past four years France has doubled its share of the overseas-bound UK conference and incentive trip market to 25 per cent.

Not everything has gone France's way, however. The strength of the French franc against sterling has made France a less attractive destination for UK travellers than it has been in previous years.

Crouset says France also faces strong competition from destinations such as Spain, Italy, Switzerland and Cyprus. Several other tourist boards, he says, are thinking about following the French and marketing themselves directly to UK conference organisers.

Perrier's 'eau' returns

The Perrier "eau" puns, one of the most memorable advertising campaigns of the 1980s, will be making a come back early next year after a five-year break.

"We had to give 'eau' a rest," says Wenche Marshall Foster, chairwoman of Perrier UK. As the UK recession began to bite, "it reminded people of the old times". The theme's light-heartedness was not working as well for consumers concerned about negative equity, she adds.

Moreover, the company wanted an advertisement change to go with the relaunch of the brand in the spring of 1990 after a contamination problem at its French bottling plant.

Life after a classic campaign is never easy for a brand and its agency. In Perrier's case, subsequent advertising evolved from a "visually shocking" approach to the current line of Everything Else Isn't. The television advertisements are "full of sounds, symbols and imagery so relevant to the 1990s youth culture", the company says.

"We have retained huge loyalty among people in their late 20s and older, but during the recession we have lost those younger Perrier drinkers who had to pull in their belts," says Marshall Foster. Peter Thomas, commercial and marketing director of Perrier UK, emphasises this point: "We were not necessarily hitting the buttons of the young consumer."

The bottled water market is fragmented by products and types of consumer, so the challenge is to find a flexible theme which will work for many audiences in various media.

Perrier and its agency Publicis believe a new "eau" campaign will achieve that. "Eau" has never been far away. Thomas admits the walls of Perrier UK's Hertfordshire headquarters are covered with 14 years of the ads. Eau-la-la, eau nouveau, bistreau, Picasseau, H2Eau, rainbeau, eau naturel and eausis were but a handful of the variations.

"But this time, it will look very different. The pun idea is back but it will be more visual."

Roderick Oram

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1990=100); engineering orders (£ billion); retail sales volume and retail sales value (1990=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1992							
3rd qtr.	96.1	94.1	27.8	99.6	104.8	2,806	116.4
4th qtr.	96.9	94.2	28.7	100.5	123.5	2,917	116.8
1993							
1st qtr.	96.6	95.0	29.3	101.8	105.0	2,952	120.9
2nd qtr.	97.1	95.1	29.3	102.3	110.0	2,926	123.4
3rd qtr.	98.4	95.3	29.3	103.5	111.2	2,914	128.1
4th qtr.	99.6	95.6	28.5	104.4	130.7	2,812	138.9
October	99.5	95.6	28.1	104.2	115.7	2,851	135.8
November	99.9	95.6	28.3	104.7	124.9	2,813	140.4
December	99.4	95.7	28.5	104.4	151.4	2,771	140.8
1994							
1st qtr.	100.7	97.2	30.4	105.4	110.7	2,754	141.2
2nd qtr.	102.9	98.8	30.4	106.3	114.2	2,662	149.1
3rd qtr.	104.2	100.0	31.6	107.0	115.8	2,596	162.4
January	100.4	97.0	30.3	105.4	110.0	2,791	140.9
February	101.1	97.5	31.0	105.0	108.5	2,753	141.1
March	100.6	97.2	30.4	105.7	113.3	2,719	141.5
April	102.6	98.5	30.4	106.2	113.6	2,682	146.4
May	103.0	98.9	30.3	106.2	114.4	2,661	147.8
June	103.2	98.9	30.4	106.4	114.4	2,643	153.0
July	103.6	99.7	31.4	107.0	116.6	2,630	157.3
August	103.9	99.6	31.6	106.8	115.1	2,594	163.5
September	105.0	100.4	31.6	107.3	115.6	2,562	166.5
October	105.1	100.9		107.3	119.8	2,514	177.2
November				107.3	129.1	2,471	180.6

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1990=100); housing starts (000s, monthly average).

	Cnsmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1992							
3rd qtr.	96.4	91.2	98.2	90.4	88.9	90.4	13.1
4th qtr.	96.4	93.6	96.8	91.9	84.1	91.0	10.6
1993							
1st qtr.	96.9	93.2	98.1	91.4	86.8	89.2	15.6
2nd qtr.	97.3	93.3	98.9	91.9	86.5	89.6	16.7
3rd qtr.	97.7	92.4	101.6	91.7	85.2	90.4	15.3
4th qtr.	98.5	91.5	104.2	91.3	85.6	89.9	13.8
October	97.9	92.4	104.0	91.8	86.2	90.0	15.3
November	98.6	91.3	104.9	91.1	85.8	89.3	15.7
December	99.0	90.9	103.8	91.0	84.8	90.4	10.3
1994							
1st qtr.	100.1	94.6	104.0	94.6	84.5	91.0	16.7
2nd qtr.	101.1	95.6	107.8	95.8	85.6	91.1	18.8
3rd qtr.	102.0	97.5	108.8	98.0	86.6	90.1	17.1
January	99.5	94.6	103.9	94.2	84.8	90.9	15.3
February	100.0	95.3	104.5	95.1	84.4	90.6	16.2
March	100.6	94.0	103.7	94.4	84.4	91.5	18.6
April	100.9	96.1	106.7	96.3	85.0	91.2	18.3
May	101.2	95.8	107.5	95.9	86.0	90.7	18.8
June	101.2	94.9	108.4	95.0	86.0	91.4	19.2
July	101.3	97.4	108.1	97.6	86.0	90.8	18.1
August	102.2	97.0	108.2	97.7	86.7	89.3	16.5
September	102.5	98.1	110.0	98.7	87.0	90.1	16.7
October	102.6	99.2	109.5	99.8	88.4	90.1	15.7

EXTERNAL TRADE- Indices of export and import volume (1990=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1990=100); official reserves (end period)

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1992							
3rd qtr.	103.0	101.8	-3,321	-1,610	+342	103.0	42.66
4th qtr.	105.9	103.5	-4,189	-2,439	+414	98.2	41.65
1993							
1st qtr.	106.5	104.6	-3,306	-3,137	+479	103.9	40.80
2nd qtr.	104.6	102.7	-3,552	-3,311	+594	103.2	41.90
3rd qtr.	107.2	104.1	-3,176	-1,898	+706	104.1	43.04
4th qtr.	109.6	107.1	-3,175	-1,965	+713	104.1	42.93
October	111.5	108.7	- 826		+237	103.9	43.95
November	107.0	105.2	-1,116		+213	104.2	43.60
December	110.3	109.5	-1,234		+258	104.1	42.93
1994							
1st qtr.	113.8	109.5	-2,983	-1,288	+887	104.7	42.92
2nd qtr.	117.5	107.8	-2,435	- 729	+1276	102.6	43.37
3rd qtr.	120.6	108.0	-1,521		+1029	102.2	43.48
January	114.9	109.6	- 913		+272	105.0	43.46
February	113.7	108.0	- 864		+315	104.1	43.41
March	112.8	110.9	-1,206		+300	105.1	42.92
April	120.6	109.0	- 610		+399	103.7	43.45
May	113.5	108.5	-1,035		+390	103.6	43.46
June	118.2	106.0	- 790		+487	100.6	43.37
July	118.5	106.9	- 492		+330	102.3	43.58
August	121.1	108.6	- 829		+316	103.5	43.54
September	122.1	108.3	- 500		+383	100.8	43.49

FINANCIAL-Money supply (annual percentage change), M0, new M2 (retail deposits and cash), M4; bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmr. credit† £m	Base rate %
1992							
3rd qtr.	2.5	5.4	5.0	+ 5,156	-262	- 18	9.00
4th qtr.	2.8	5.0	4.4	+ 4,018	214	+211	7.00
1993							
1st qtr.	4.4	4.9	3.3	+ 5,374	820	+426	6.00
2nd qtr.	4.2	5.7	3.2	+ 4,924	1,713	+594	6.00
3rd qtr.	5.3	5.4	3.3	+ 5,721	-69	+959	6.00
4th qtr.	5.5	5.6	4.3	+ 5,869	-263	+1120	5.50
October	5.5	5.6	3.7	+ 1,893	258	+320	6.00
November	5.1	6.0	4.5	+ 1,092	-400	+300	5.50
December	6.0	5.2	4.8	+ 3,084	-121	+500	5.50
1994							
1st qtr.	5.4	5.6	5.3	+ 4,492	-1,322	+1087	5.25
2nd qtr.	6.6	4.8	5.3	+ 5,561	661	+1271	5.25
3rd qtr.	6.7	4.6	4.7	+ 7,401	699	+1460	5.75
February	5.4	5.5	5.3	+ 1,349	-404	+357	5.25
March	5.6	5.9	5.6	+ 2,667	-653	+467	5.25
April	6.0	5.3	5.4	+ 963	395	+412	5.25
May	6.9	4.4	5.1	+ 1,742	370	+259	5.25
June	6.9	4.6	5.4	+ 2,806	-104	+603	5.25
July	6.5	4.7	4.7	+ 2,411	266	+349	5.25
August	6.3	4.5	4.6	+ 2,060	91	+632	5.25
September	7.2	4.5	4.7	+ 2,930	322	+478	5.75
October	7.3	4.1	3.9	+ 1,826	528	+451	5.75
November	7.0		4.5	+ 4,500	301		5.75

INFLATION-Indices of earnings (1990=100); basic materials and fuels; wholesale prices of manufactured products (1990=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1992							
3rd qtr.	114.9	94.7	108.9	139.0	127.3	1,542	90.9
4th qtr.	116.4	100.7	109.7	139.6	127.7	1,648	79.8
1993							
1st qtr.	116.0	104.2	111.2	138.7	130.1	1,740	78.5
2nd qtr.	117.9	102.7	113.1	140.9	131.5	1,667	80.2
3rd qtr.	118.7	100.1	113.5	141.3	131.2	1,547	81.0
4th qtr.	119.6	100.1	113.9	141.8	129.5	1,622	81.1
October	119.4	98.7	113.7	141.8	130.0	1,584	80.4
November	119.7	100.1	113.7	141.6	128.1	1,619	81.0
December	119.6	101.6	114.3	141.9	128.4	1,661	81.7
1994							
1st qtr.	122.9	101.6	114.9	142.0	130.8	1,763	81.3
2nd qtr.	122.6	103.3	115.6	144.5	132.7	1,919	80.0
3rd qtr.	123.2	104.7	116.0	144.6	132.2	2,100	79.2
February	123.5	101.3	114.9	142.1	130.8	1,780	81.6
March	124.0	101.3	115.1	142.5	131.6	1,819	80.5
April	121.8	102.0	115.4	144.2	131.9	1,822	80.0
May	123.5	103.6	115.6	144.7	133.2	1,924	79.9
June	122.3	104.4	115.7	144.7	133.1	2,006	80.1
July	122.8	104.4	115.7	144.0	132.3	2,119	79.2
August	123.6	104.4	116.0	144.7	132.7	2,079	79.0
September	123.4	105.2	116.2	145.0	131.6	2,102	79.9
October	123.9	105.5	116.3	145.2	131.4	2,079	80.2
November		106.0	116.4	145.3	131.6	2,129	80.2

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

FINANCIAL TIMES

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Mexico: 1994 is not 1982

For experienced observers of Mexico, the story looks depressingly familiar. Just as they did 12 years earlier, Mexican officials last week stood before angry lenders at a meeting at the New York Federal Reserve to explain a financial crisis. This week, like their predecessors in 1982, officials are locked in long negotiating sessions in Washington in a bid to put together an emergency financing package.

Every day seems to bring new horrors to the jittery financial markets: a sinking peso, big losses in the stock market, worries about the health of the banking system and questions about the ability of the government and private sector to service their dollar-denominated debts. Resolving these problems will be painful. Some companies and banks may even fail.

Nevertheless, this is not a repetition of 1982. The financial markets' understandable concern must not be permitted to overshadow the manifest and manifold improvements in the economy since then. Mexico's non-oil exports were rising even before the devaluation, a sign that the economy is increasingly competitive. The burden the state imposed on private enterprise has been much reduced. The government's debt burden, albeit troubling in the short term, is much less than 12 years ago.

A significant devaluation, coming on top of these many changes for the better, provides an opportunity to achieve the rapid growth that has been so elusive. It was, it should be recalled, precisely such a move to a flexible, more competitive exchange rate, after the financial crisis of the early 1980s, which gave Chile its last necessary push towards international competitiveness.

Although the new administration of President Ernesto Zedillo has suffered a defeat, it has also been granted an opportunity. It has shown itself less than deft in handling the immediate crisis. But what matters now is the future.

Its first priority is to bolster financial market confidence. No resolution will be forthcoming so long as capital continues to flee the country. This will require unity within the administration. Given the low level of Mexican reserves, it will also require the help of international agencies, such as the International Monetary Fund. The US can play an invaluable role in bolstering confidence. As it made clear on Tuesday, a collapsing peso is no more in Washington's interests than Mexico City's.

Next, the package of measures that the government is set to announce by next Monday at the latest must be comprehensive and clear. The aim must be to demonstrate a continued commitment to reform, combined with willingness to take the tough measures needed to exploit the devaluation. One element must be an explanation of how the government proposes to keep its budget balanced, given the extra costs caused by devaluation. Another must be a commitment to policies aimed at halting an inflationary spiral. Yet another must be a firm timetable for extensive privatisation, along with proposals for faster deregulation and reform of the social security system. Finally, it must indicate how it plans to stabilise the financial system.

A financial crisis is the last thing Mr Zedillo wanted, or needed, as he tries to grapple with Mexico's many political and social problems. But properly handled, this devaluation could mark the beginning of Mexico's export-led growth miracle. Mr Zedillo has the time – six full years. He also has the chance. The success or failure of Mexico's struggle for modernisation hangs on his making the right decisions over the next few weeks.

Whitehall pay

A report out today claims that the UK's senior civil servants are among the best paid of their breed in the world. The European Policy Forum's paper is a useful antidote to Whitehall's self-serving conventional wisdom, which holds that Britain's top officials are comparatively poorly rewarded.

The problem is to know how to make the comparison. Because overseas comparisons are difficult, and the City down the road, the tendency of late has been to size up permanent secretaries against senior private sector executives and to declare them poor.

There would be some justice to such comparisons if the civil service were in competition with the private sector to fill its top posts. But it is not. The new executive agencies have made serious attempts to recruit in the private sector and, where successful, have in some cases paid chief executives in excess of £100,000 plus bonuses. But Whitehall proper remains a closed club, with permanent secretaries almost invariably appointed from inside.

It will not be long before the pay of agency bosses becomes the yardstick for Whitehall, and is used to justify large salary increases. This should be resisted.

There are good reasons for continuing with the status quo: not least the fact that there is no shortage of first-rate civil servants. A case can be made for adopting the EPF's proposal to apply private sector disciplines to Whitehall by linking senior officials' salaries to performance contracts, as in New Zealand. But until such a decision is taken, it is inappropriate to portray Sir Humphrey as the poor relation of his Rothschild cousins.

China and WTO

China's admission that agreement could not be reached this year on its bid for membership of the Gatt and the new World Trade Organisation cost its government considerable loss of face. It is encouraging, therefore, that its response has not been to quit the bargaining table, but to indicate readiness to continue talks next year. If resumed negotiations are to succeed, however, all involved need to absorb some important lessons.

That is true, above all, for Beijing, which has frequently resorted to menacing bluster rather than negotiating purposefully. China still seems to covet WTO membership as a political prize, rather than for its economic benefits. Western interest in China's market also appears to have caused its government to think it holds all the high cards. Its public utterances often imply that unless other countries accept its terms, they – not China – will be the biggest losers. Such assumptions are mistaken. Despite the recent growth of China's economy and exports, it accounts for only 2.5 per cent of world trade. Its commercial isolation would thus only affect marginally the world economy. But it would put at risk China's future growth potential.

China needs WTO membership for three main reasons: to stimulate further reforms and modernisation of its economy; to safeguard markets for its export industries, which in many cases are the main consumers of its imports; and to provide a stable framework for the foreign investment on which its development crucially depends. Such reassurance is particularly critical given growing international concern about China's arbitrary official regulations and late payments by its state enterprises.

Progress in negotiations is likely to remain slow until Beijing fully accepts that WTO membership is fundamental to its economic self-interest. Only then will it have the incentive to improve its offers on market access and drop demands for easier terms than are enjoyed by other developing countries, none of which is nearly as important a trading power.

This change will not be easy to accomplish while a looming leadership struggle continues to immobilise China's government. Gatt's bigger members must do everything possible to bolster the position of Beijing's economic reformers, while standing firm on issues of basic principle. That calls for enlightened leadership by the US, which should be ready to respond positively to any constructive initiatives from Beijing.

As well as refraining from bilateral trade sanctions, which would play into the hands of China's hardliners, Washington needs to show more flexibility. In particular, it should soften its insistence that China join the WTO as a developed country. Provided Beijing is ready to make worthwhile commitments, it should be allowed to adjust to multilateral trade rules according to an agreed timetable, subject to regular monitoring.

The EU could usefully play a role by offering the US stronger support if it adopted a more flexible position. Regrettably, Sir Leon Brittan, the trade commissioner, has seemed more interested in ingratiating himself with Beijing. Whatever his motives, that has won no favours, but merely encouraged China's negotiators to concentrate on driving a wedge between the EU and the US.

China's membership of the WTO remains a highly desirable objective. But achieving the necessary political conditions will take time. Recent events have shown the futility of setting artificial deadlines. Admitting China to the organisation by a fixed date is much less important than ensuring it enters on the right terms.

THE FT INTERVIEW: Jacques de Larosière

Credit where it is due

The new president of the EBRD has brought prudence rather than vision to the bank

Mr Jacques de Larosière is in confident mood. His style is discreet, even understated. Yet the president of the European Bank for Reconstruction and Development is anxious to make his point.

Since he took over the running of the public sector bank set up in 1991 to aid economic transformation in the former Soviet Union and eastern Europe, the institution has regained credibility.

The EBRD's first president, Mr Jacques Attali, resigned in the summer of 1993 after a crisis caused by revelations of mismanagement and over-spending. The very future of the bank was in doubt.

Not all the questions about the EBRD's long-term future have since been resolved. It has yet to prove that it can be more effective than private sector banks in those central and eastern European countries that have progressed furthest with economic reform.

But Mr de Larosière says those who doubt the need for the EBRD "are less and less numerous". He cites evidence that the bank is an increasingly attractive partner for the international investment banking community. "After little more than a year here, I see the EBRD as a valuable and innovative institution. It is more and more respected and called upon by other partners to work with them."

He takes care to give credit for the turnround to his colleagues rather than to himself, and he delivers his judgment from a position of experience. A former director of the French Treasury, managing director of the International Monetary Fund, and governor of the Bank of France, he is Europe's most seasoned figure on the international monetary circuit.

He appears totally in control – of himself and of his institution.

A master of fastidiously-controlled diction, the EBRD chief – in contrast to his flamboyant predecessor – eschews hyperbole. This approach adds force to his description of the EBRD at the time of Mr Attali's departure: "I don't want to use pompous words. But I think the life of the bank was at stake."

In the past year, the EBRD has strengthened its commitment to private sector initiatives in its 25 countries of operation (the number has trebled since it was set up, largely because of the break-up of the Soviet Union). It has stepped up geographic diversification, shifting the focus away from the pro-reform states of eastern Europe towards what Mr de Larosière calls the "outer countries, the more difficult ones" in the former Soviet Union.

Deals with five countries – Hungary, the Czech republic, Slovakia, Poland, and Romania – accounted for 57 per cent of the EBRD's signed commitments for loans and equity investments in 1993, but only 44 per cent in 1994.

The EBRD has reorganised its 750-strong staff, merging departments and moving employees out of administration into front-line banking. The number of EBRD employees – both London-hired and locally-recruited – in resident offices in former communist states will roughly quadruple next year to 81, compared with 23 in October 1993. Offices outside London, which previously had largely representational functions, have been integrated into the EBRD's banking department.

Asked to provide examples of recent projects, Mr de Larosière reels off 10 that range from Russian small business credits and support for privatised companies in Poland and Slovenia to loans for the Prague-Berlin rail network and for improvement of wine-making in Moldova. With an uncharacteristic burst of enthusiasm, he says he is "elated" by such evidence of the bank's diversity.

He cites statistics to show how the EBRD's operations are growing. Signed loan and equity commitments for 1994 will be just over Ecu1.8bn, in line with target, compared with a cumulative Ecu2.7bn during the EBRD's first three years of operations. Seventy per cent of 1994 deals were for the private sector – higher than the 60 per cent private sector content laid down by the banks's charter. Disbursements during 1994 totalled something like Ecu700m, compared with a cumulative Ecu557m up to the end of 1993.

The bank always acts with partners, such as banks, multinationals and local companies, in its projects and on average it only puts up a third of the capital required. Investments totalling Ecu5.7bn have so far been approved by the board during the bank's life, supporting projects with an overall value of Ecu17.1bn.

"This means that the EBRD is actually the most important agent in terms of private financing in that part of the world," Mr de Larosière says proudly – adding hastily that he does not say this to exaggerate the importance of the bank, merely that he wishes to put the figures into perspective.

At the same time, the bank's famously accommodative budget has been brought under strict control. Its administrative spending was frozen in 1994, and the figure will rise by just 3.5 per cent in nominal terms in 1995 despite the rising number of transactions.

"We have been moderating the expansion of our budgetary outlays, and this has been extremely important to restore credibility. We are at the service of our member countries, and we are very careful about the manner in which we utilise the money devoted to the bank, since this is taxpayers' money," observes the president thoughtfully.

One possible source of future friction with shareholders concerns the EBRD's cumbersome board, the cost of which (12 per cent of EBRD administrative spending) has been criticised by some governments. Mr de Larosière says it is "widely accepted" that the board's structure is "a problem", adding, "I am confident the membership will look into it and take the proper measures."

Problems concerning the EBRD's structure are not directly his responsibility, Mr de Larosière says, because he is the governments' servant, not their master.

Such self-deprecation, however, is not the whole story. In his dealings with the board, Mr de Larosière is said to use a mixture of assertiveness and subtlety to push decisions through. One EBRD insider says Mr de Larosière displays a single-mindedness that is similar to Mr Attali.

The difference is that Mr de Larosière has "infinitely more finesse". Another top EBRD official points to Mr de Larosière's success in talking directly to top contacts in shareholder governments. "He commands total respect."

Mr de Larosière takes care never to criticise his predecessor; indeed, he does not mention his name during the interview. But his opinion of Mr Attali's free-spending is not difficult to discern. The entire 12th floor, the site of Mr Attali's former office, is being sub-let to save costs, as is the bank's 2nd floor, bringing in £1.3m in annual rental income, 1 per cent of the total budget outlays.

He has closed the executive dining room and prefers to lunch in the canteen. "You can eat very decently." He adds: "It has a big advantage for me since it allows me to speak to people whom I would not normally see in my office. I sit at the table, and start a conversation. That is very good for me and for the integration of the bank."

Restructuring operations and restoring morale represented the most urgent of Mr de Larosière's tasks. But the bank's customers' needs are changing too.

For all the macroeconomic difficulties in the east, he says, "the pace of economic reform in most countries is encouraging ... All this will create a climate that will undoubtedly have profound consequences on the countries' ability to generate business. Our job is to help the authorities in these countries with the execution of these programmes, particularly in the post-privatisation phase."

Like most of its clients, the EBRD itself is operating under constraints. First, it lends on commercial terms, at higher interest rates than, for instance, the European Investment Bank – one of the reasons why the EBRD has been criticised as excessively cautious. Second, the need to carry out a large number of time-consuming smaller deals in a large array of countries adds to both costs and risks. Third, though commitments and disbursements are building up, the bank's overall activities – and thus its income – are much lower than envisaged under Mr Attali.

Mr de Larosière intends to tackle these problems in two ways. "We have to continue to increase productivity, and this is why I am continuing to press for structural reforms, simplifying networks and streamlining procedures." He also wants to increase the bank's leverage by extending partnerships with other institutions in the financial and industrial fields.

The EBRD has stepped up "wholesale" activities in the financial area, taking equity stakes in and forming associations with banks, financial institutions and investment firms in its countries of operation. Such activities now form 20 per cent of its business.

Mr de Larosière wants to extend this into the industrial sector, building "global partnership relationships" with corporations from west and east. "This would mean we would do less detailed work on individual projects, accompanying important corporations in programmes [in the EBRD's target countries]." By agreeing such "package deals", the bank could save costs and lend support to more modest projects that would otherwise "be too small productivity-wise", Mr de Larosière says.

These plans make sense, but do they add up to a vision? Mr de Larosière bridles at the suggestion that he is interested solely in good housekeeping. "Of course there is a vision. It would be inept not to have a vision. It is one of the most important challenges for the west to help that part of the world transform its basic habits and integrate into the world trade system."

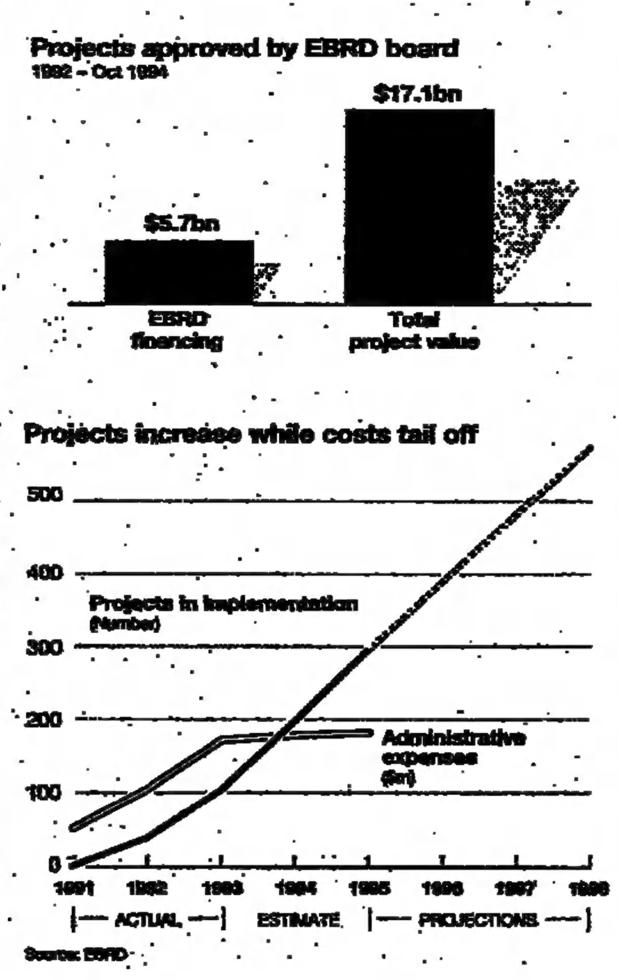
There is an important caveat: "We are a bank and we have to behave as a bank. We have a profit and loss account. We are judged by the markets. We have to borrow on the markets. We had negative reserves in the first year, and now we have to create positive reserves. We also have to look at the years where we will have to put up provisions for risks. So the bank has to be run like a bank."

Mr de Larosière neither looks nor sounds like a visionary. That is probably the best guarantee that his agenda for the EBRD, mixing the prudence of the public sector with the flexibility of the marketplace, can be made to work.

Richard Lambert and David Marsh

EBRD: credibility restored

EBRD HQ London



Source: EBRD

Jacques de Larosière president

Japan's disaster movies

Alice Rawsthorn and **Michiyo Nakamoto** on the future of Matsushita and Sony in Hollywood

One topic hovers over Hollywood this new year: will 1995 be the year the Japanese pull out?

Sony, one of Japan's largest electronics groups, recently announced a $2.7bn write-down on Columbia/TriStar, the movie studio it bought for $3.4bn in 1989. Matsushita, its compatriot, has hired Allen & Co, an investment bank, to advise it on the future of MCA/Universal, for which it paid $6.1bn four years ago.

The next few months will be critical for both groups.

Matsushita has been the more successful of the two. MCA has had a string of hits under Matsushita, including *Jurassic Park* and *The Flintstones* at the cinema and Aerosmith and Nirvana in the music charts.

The problem is that the architects of its success, Mr Lew Wasserman, the 81-year-old chairman, and Mr Sidney Sheinberg, 59, his second-in-command, are not happy with their Japanese parent. "We have no complaints on a day-to-day basis," said a senior MCA executive. "Lew and Sid still have control. But Matsushita hasn't allowed us to expand."

The MCA deal preceded Japan's descent into recession. Matsushita has since been unwilling to sanction further investment in the US while cutting back at home. First it blocked MCA's plan to acquire Virgin Records (eventually bought by Thorn-EMI) and then its attempt to invest in NBC, the TV company.

"Matsushita didn't make any promises in our original negotiations," says one MCA executive. "The talks were conducted very quickly. We just assumed that as they were so keen to keep the same people in charge they'd follow their recommendations."

The situation came to a head in October when Matsushita's chairman flew to San Francisco for a summit meeting with Mr Wasserman and Mr Sheinberg. The outcome was the appointment of Allen & Co, coupled with that of Michael Ovitz's Creative Artists Agency, to consider MCA's future.

One option for Matsushita would be to sell a minority stake in MCA to provide it with capital for expansion. Another would be to sell out completely and Matsushita is rumoured to be willing to consider offers of $9bn-$10bn. Mr Tsuko Murase, executive vice president, denied this: "We're not stockbrokers. We did not buy intending to sell when the value went up."

But Matsushita is running out of time. MCA may face difficulties next year. *Junior*, the Arnold Schwarzenegger comedy billed as a Christmas hit, is only a modest success. The production of *Waterworld*, an aquatic sci-fi epic starring Kevin Costner set to open next summer, has been plagued by problems and now has the dubious honour of being the most expensive film ever, with a budget estimated at $145m.

Finally MCA is about to lose some of its most talented executives. Mr David Geffen, founder of its Geffen Records subsidiary, is leaving in April. Mr Wasserman and Mr Sheinberg have threatened to quit when their contracts end in late 1995 – unless Matsushita provides more capital.

If Mr Sheinberg went, Mr Steven Spielberg, the highest grossing director in Hollywood's history, would go too. He is setting up his own entertainment company with the dream-team of Mr Jeffrey Katzenberg, former head of Walt Disney's film interests, and Mr Geffen. He will still be free to direct for other studios and could make a planned sequel to *Jurassic Park*, but only if Mr Sheinberg stays.

This Hollywood revolt has exposed Matsushita to ridicule in Japan. The simplest way of averting it would be for MCA to invest in the dream team. This would placate Mr Wasserman and Mr Sheinberg, while protecting MCA's relationship with Mr Spielberg and Mr Geffen. The problem, as ever, is whether Matsushita will pay up.

Sony confronts a very different set of problems. It has also adopted an arms-length approach to the day-to-day management of its Hollywood subsidiaries, but it has not had the advantage of a stable management team. And, unlike Matsushita, it could scarcely be criticised for not spending enough money.

Sony is estimated to have spent more than $10bn during its five years in Hollywood. It began by paying $700m to hire Mr Peter Guber and Mr Jon Peters, the *Batman* producers, only to see Mr Peters leave after 19 months with a $30m pay-off. It has since suffered a string of departures culminating in Mr Guber's exit this autumn.

Its movie studios have had a few hits, such as *Philadelphia* and *Sleepless In Seattle*. But they have also had several flops, including *Last Action Hero* and *Mary Shelley's Frankenstein*. Sony's share of US box office revenues has fallen 14.7 per cent in 1990 to about 8.9 per cent in 1994.

The consensus in Hollywood is that Sony has exercised insufficient control over its film business and taken action too late. "The alarm bells should have rung when Peters left," said a rival studio head. "You don't pay $700m for a duo only to be left with half of it."

Mr Guber's departure and the $2.7bn write-off should, in theory, enable Sony to start again. However there is little confidence in Hollywood that the Japanese company has got a grip on its film interests.

Mr Mickey Schulhof, chairman of Sony's US interests, is still in overall charge. He is well respected in the music business, but has no experience of film-making, nor does Mr Alan Levine, the entertainment lawyer now in charge of the film division. Mr Mark Canton, the new head of production, knows the business but was recently described by the New Yorker magazine as "easily one of the most unpopular executives in the industry".

Sony has given them three years to salvage the film business. Hollywood sceptics suspect the real reason for the write-off was to prepare for a disposal. Tokyo commentators argue that it would be even more embarrassing for Sony, or Matsushita, to quit Hollywood now given the long-term thinking that characterises Japanese corporate behaviour and the abhorrence of short-term profiteering.

Moreover the film business is so volatile that the picture might look very different in a year. "Just think how different things would be if *Last Action Hero* had been a hit," said one Hollywood veteran. "Though I shudder to think what will happen if *Waterworld* flops."

Matsushita's Jurassic Park and The Flintstones were hits; Sony's Last Action Hero and Frankenstein flopped

Fables and foibles of the old year

FT writers select the best books for the business reader in 1994

The new year looks set to be the year of the political short game, on both sides of the Atlantic. And when governments are looking for ways to boost their popularity – as they are in the UK and US – inflation hawks get worried. They might be reassured by Bob Woodward's account of President Bill Clinton's first year in office, which describes how an expansionist Democrat was turned into a deficit hawk.

The Agenda: Inside the Clinton White House (Simon & Schuster) tells of how political ideals run up against economic reality.

More surprisingly, it is an account of how the economic authorities went out of their way to help. Alan Greenspan, chairman of the Federal Reserve, went beyond the strict call of duty in convincing Mr Clinton of the benefits of winning the markets' trust. Mr Lloyd Bentsen, Clinton's first treasury secretary, and Mr Robert Rubin, Mr Bentsen's successor, gave able support.

The selling of Mr Clinton's political agenda, by contrast, was all too haphazard. A leftish administration – say, the Labour party in Britain – should perhaps take note.

There were more valuable economics lessons in Russell Roberts' *The Choice: A Fable of Free Trade and Protectionism* (Prentice Hall). Paul Samuelson, Nobel laureate in economics, described the theory of comparative advantage as the only proposition in social science that is both true and non-trivial. Unfortunately, few people understand it.

In a fascinating fable, Roberts renames comparative advantage the "roundabout way to wealth". Explaining this idea in the book is David Ricardo, the inventor of the theory, sent back after death to turn the US of 1960 away from a protectionist path. His audience is Ed Johnson, chief executive officer of Stellar Television, a company threatened by Japanese imports. Johnson is also the moving spirit in a campaign to stop imports into the US.

Ricardo takes Johnson to Rahway, New Jersey, to show him a television factory of the future. "Where's the television factory?" asks Johnson.

"You're looking at it."

"But the sign says Merck and Co, Inc, a pharmaceutical company. Doesn't that mean they make drugs?"

"Indeed, they do, Ed. They send some of those drugs to Japan. In return Japan sends America televisions."

If you want to understand comparative advantage read this book. It is brilliantly conceived.

P J O'Rourke is no economist. But *All The Trouble in the World* (Picador), probably contains more economic home truths than most economic treatises. Auberon Waugh (of all people) complains that this author cannot make up his mind whether he is a humorist, or means it. But he *is* funny and in this book takes us to Third World jungles that most of us would rather visit from an armchair.

His conclusion is: "Money is preferable to politics. It is the difference between being free to be anybody you want and being free to vote for anybody you want." His explanation for contemporary miseries is that the advance of society has merely produced people like himself – or the reader.

O'Rourke is more pithy than the World Bank, to whom we can turn for the subtleties and qualifications. But if any one would like the same point of view in good-humoured, but straightforward, form then read *No, Prime Minister* by Ralph Harris (IEA Occasional Paper). This consists of newspaper articles from 1965 to the present, all of which are still easily accessible today.

For those more interested in the Square Mile, David Kynaston has provided a fascinating insight into British financial history. *The City of London: A World of Its Own, 1815-1890* (Chatto), the first volume of his three-part work on the Square Mile, is a splendidly readable account, wonderful on the sociology of 19th century banking and broking, and the development of City institutions.

The book appeals as much to the general reader as to the specialist, not least for the indirect light it casts on Dickens and Trollope. The later volumes will do well to match the standard of this first offering.

Indispensable in a different way is Jonathan Charkham's comparative study of corporate governance in the US, Japan, Germany, France and Britain. *Keeping Good Company: A study of corporate governance in five countries* (OUP) is a masterly overview by a former adviser to the governor of the Bank of England.

Mr Charkham's book is unlikely to be bettered, either for its description of how management is held to account (or not, as the case may be) in the five countries, or for the judicious assessment of the merits of the respective systems of governance.

Corporate-level strategy: creating value in the multi-business company (John Wiley & Sons) touches on some of the same issues from the narrower perspective of the business manager. The authors, Michael Goold, Andrew Campbell and Marcus Alexander, argue that most big companies are "value destroyers", because they do not have a proper strategy for "parenting" their subsidiaries. Bosses should decide which of three fundamental "parenting styles" is best suited to their mix of businesses, and apply it consistently to all. If individual subsidiaries do not fit this approach, it is easier to change the portfolio than the style.

Despite its length, this book's basic message does not stretch far beyond that of Goold & Campbell's original, and influential, *Strategies & Styles*. But it offers a wider spread of case histories, and many practical ways of implementing its theories. Parent-company managers will find it helpful.

Reviews by Malcolm Rutherford, Martin Wolf, Samuel Brittan, John Plender and Peter Martin.

Tax hikes and job fears are clouding the full extent of the UK's economic upturn, says **Peter Norman**

Bad feeling about a good recovery

Rarely has the British economy performed so well. And rarely have so many people felt so bad about it.

Almost without exception, the economic indicators over the past two months have confirmed that the UK is experiencing a textbook recovery from recession.

The economy is growing at its fastest annual rate for six years, led by manufacturing and exports. Unemployment, having fallen in all but one month this year, is now below 2.5m and about 500,000 below its December 1992 peak. The current account balance of payments, so long the Achilles' heel of the British economy, has bounced back into surplus.

The government's budget deficit is responding to treatment and on course to meet the Budget forecast of £34.4bn for 1994-95. Britain may be one of only three European Union countries to meet the budget deficit targets enshrined in the Maastricht treaty in 1996.

True, inflation appears to have bottomed. But at 2.3 per cent in November, the underlying rate of retail price inflation was within the lower half of the government's 1-4 per cent target range and only just above the 27-year low of 2 per cent recorded in September and October. The UK's inflation performance over the past year has been the best for more than 30 years.

Yet Britain is clearly not *enjoying* its economic recovery. Every indicator of opinion, from this month's Dudley West by-election, in which the swing from Tory to Labour was the biggest since 1935, to the latest consumer confidence polls, points to a deterioration in the public mood. This month's consumer confidence survey from Gallup registered a sharp jump in the percentage of people thinking their financial position would worsen in the year ahead as well as increased gloom about general economic developments, inflation, employment prospects and people's ability to save money.

There are obvious policy reasons for the feel-bad factor. Mr Kenneth Clarke, the chancellor, and Mr Norman Lamont, his predecessor, raised taxes across a wide spectrum to plug the fiscal deficit. But the prevailing mood almost certainly reflects more *far*-reaching trends. Britain is undergoing painful adjustment on three fronts that is hitting the articulate and hitherto moderately pampered British middle class in particular:

● The UK is having to adapt to low inflation, which, if sustained, will bring benefits. But in the meantime it is dispelling the "wealth illusion" generated by inflation-induced double-digit pay increases and rising house prices in the 1980s.

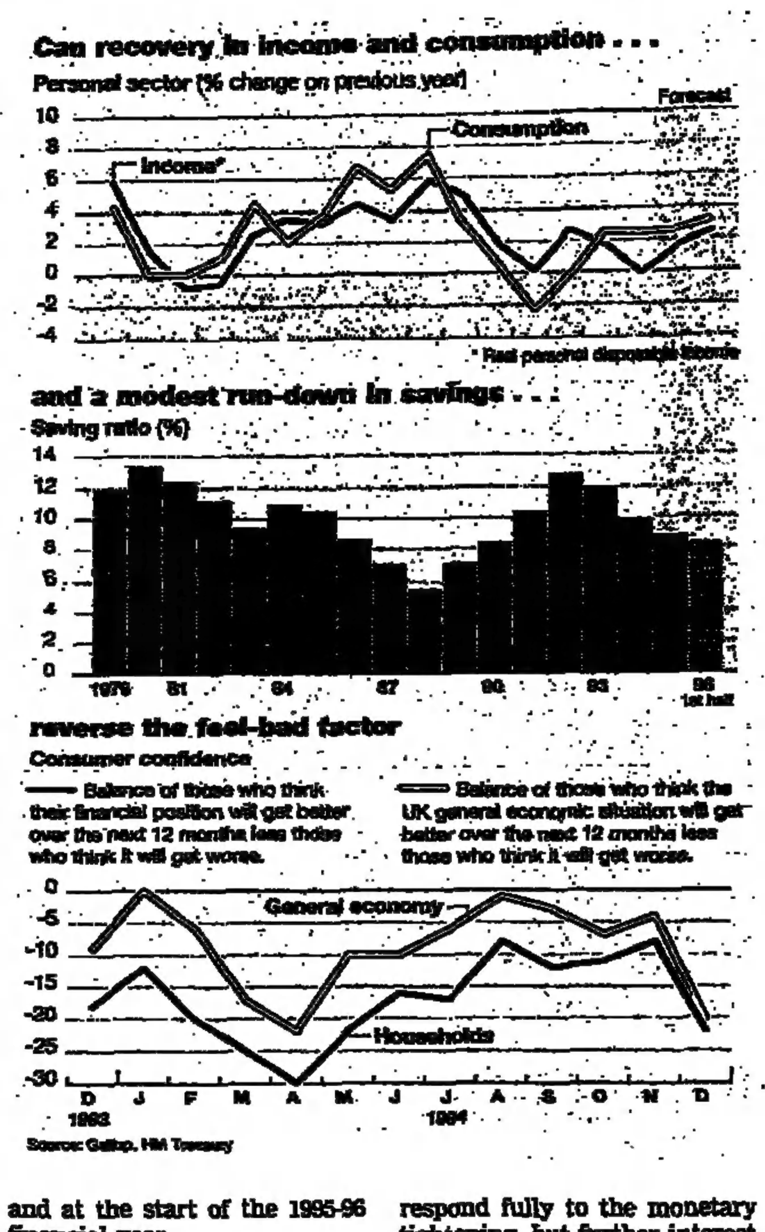
● Competitive pressures, the result of deregulation, globalisation and technological advance, have triggered "down-sizing", job insecurity and redundancies in once secure industries. The changes are encompassing managers and professionals. There have been high-profile redundancies at the Treasury, at the former nationalised electricity companies and even within fast-growing sectors such as telecommunications; Mercury Communications, for example, announced this month that it would cut nearly a quarter of its 11,400 workforce.

● The state is scaling back its involvement in many areas of life for budgetary and ideological reasons. People are having to put aside more of current income to provide for education, healthcare and old age.

This confluence of short-term pain and long-term change is not just a British phenomenon. It is contributing to the unpopularity of democratically elected governments in north America and continental Europe.

In Britain's case, however, the increase in taxes and other burdens is considerable. The two Budgets of 1993 resulted in average losses of nearly £7 a week for British households. According to Sir George Young, the financial secretary, tax increases taking effect over the next year will cost all households an extra £2.30 a week on average.

Research by the independent Institute for Fiscal Studies shows the tax increases will cost middle-income groups proportionately more than high earners or the poor. This will be especially true of married couples with a mortgage, hit by restrictions to the value of the married couples' allowance (MCA) and mortgage interest relief (Miras) both last April and at the start of the 1995-96 financial year.



Next April's cut to 15 per cent from 20 per cent in the rates of relief of MCA and Miras will cost a working couple with a £30,000 mortgage more than £5 a week. According to government estimates, a working couple with children and a combined income of 150 per cent of average earnings will pay 3 percentage points more of their income in direct and indirect taxes in 1995-96 compared with 1993-94.

In the meantime, the UK interest cycle has turned. Bank base rates are now 6.25 per cent against 5.25 per cent in early September. Most mortgage lenders have yet to respond fully to the monetary tightening, but further interest rate rises may come soon.

The UK consumer and house-buyer has shrugged off rising interest rates in the past, most notably in the economically heady late 1980s. But house prices were rising sharply then. Hopes that 1994 would see a moderate rise in house prices after falls in recent years have been frustrated. The Nationwide and Halifax building societies' house price indices showed price falls of 0.6 per cent and 1 per cent respectively in the year to November.

Falling house prices, high real interest rates and diminishing mortgage interest relief mean home ownership is no longer the sure investment that it was for most of the post-war period. People can no longer hope that their real debt burdens will be eroded by inflation. For many, especially in south-east England, home ownership now brings to mind tales of heavy losses or repossession during the recession.

According to the Bank of England, there are still an estimated 1.1m households with negative equity in their property. The average sum is relatively small at about £5,500. But the phenomenon is concentrated in the south-east and greater London. It constitutes a burden for those directly involved, and, by restricting transactions, is probably contributing to the overall weakness of the housing market.

The transformation of the housing market since the late 1980s, when prices rose by more than 20 per cent a year, is part of the bigger story of adjustment to low inflation.

The government has managed to engineer an upswing that is foreign to Britain's post-war experience. The recovery, led as it is by manufacturing output and exports, holds out the promise of sustained growth and rising living standards. But it has none of the *élan* of the last period of strong growth in the 1980s when fast-growing pay brought shoppers out in force and money made from trading up in the housing market fuelled the purchase of consumer durables.

In economics, it is usually darkest before the dawn. The Treasury's Red Book, published on Budget day, holds out the modest hope of some recovery in the nation's spirits next year. It forecasts that real personal disposable income will rise by 1¼ per cent in 1995 after stagnating this year. The Paris-based Organisation for Economic Co-operation and Development expects above-trend growth to continue for more than two years and further falls in unemployment. The hope is that these trends, supported by a modest run-down of savings, will support steady growth of consumer spending and restore the feel-good factor.

But whether these broad economic developments offset the uncertainties generated by fast-moving, and possibly unprecedented, changes at the workplace is difficult to tell. Mr Clarke, who so far has been unexpectedly steadfast in clamping down on inflation, will be hoping that they will.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Government ostrich-like on workers' rights

From Peter Cooke.

Sir, The interesting juxtaposition of your leader, "Time to debate worker rights" (December 22) and Samuel Brittan's article, "The follies of the macho manager", points to the conclusion that since "labour is now plentiful and cheaper than it used to be" (Brittan) reasonable improvements in employee rights are unlikely to damage competitiveness and labour market flexibility. As you say, the argument to the contrary, put at its most forceful by the government, can be overdone.

Employment secretary Michael Portillo leads the attack, wholly undaunted by the opposition of 11 other member states, the European Commission and the European parliament. At a recent Confederation of British Industry conference, his minister of state, Ann Widdecombe, vigorously defended the UK's opt-out from the social chapter. She also attacked the directive on the establishment of European works councils, recently adopted by the 11, before a sceptical audience of UK employers who were, in the main, planning compliance with the directive for their EU operations, including those in the UK, following the lead of United Biscuits. Her powerful rhetoric was met with a slightly embarrassed silence.

On employee rights issues, the government adopts an uncritical pro-employer organisation line to which many big employers pay lip-service but do not support in practice. Absence of constructive criticism at the draft stage leads to directives – and that on European works councils is a good example – being adopted by the EU in a half-baked form. Worse, if in due course the UK decides to opt in, it is likely it will be bound to implement a series of directives on which there has been no formal UK input.

Surely the economic added value of EU membership should be shared partly in the form of improved social benefits for workers where these can be delivered without prejudicing competitiveness? The rectification of the anomalous position of part-time workers under UK law was long overdue. Equally, the burden on UK multinational employers of complying with the EWC directive has been exaggerated.

The government's ostrich-like attitude to the European Court of Justice's interpretation of the acquired rights directive and equal pay legislation, and the consequential costs incurred by the taxpayer, ought to direct its attention to the starting point of the debate you favour.

The knee jerk as an instrument of policy is ripe for replacement. Also, with Labour so far in front in the polls, a rational examination of employment rights and their place in a market economy could produce a political dividend for the Conservatives.

Peter Cooke,
partner,
Theodore Goddard,
business and finance lawyers,
150 Aldersgate Street,
London EC1A 4EJ.

Indices should adjust for Japanese double counting

From Mr Graham Cox.

Sir, John Plender, in "A less than stabilising experience" (December 12), drew attention once again to the long-standing problem of double counting in Japan: namely, the impact of companies' holdings of other companies' equity which in total leads to an inflation of market capitalisation by more than 35 per cent.

This in turn distorts world equity indices by giving an excessive 30 per cent weight to Japan, or around 32.5 per cent excluding the UK. Some institutions like Sun Life avoid these distortions by holding a weighting nearer to relative gross domestic product, in the range 15 per cent to 20 per cent of non-UK equities.

However, other funds and investors feel obliged, or are required legally, to follow world indices as benchmarks. To avoid the "doubly pointless" activity of taking exposure in Japan to match a weighting that is a statistical illusion, such world indices need to be either adjusted for double counting or have heavy footnotes pointing out the distortion and its scale for Japan and for any other country where the effect is significant (for example, Germany).

Let the FT and its actuarial and investment bank advisers panel set a good example by starting with the FT-Actuaries World Index.

Graham Cox,
group economist,
Sun Life Assurance Society,
107 Cheapside, London EC2

Nothing but a legal charade?

From Mr W Graeme Knox.

Sir, Are all share support operations to be made legal by the Appeal Court? Perhaps the Guinness trial defendants will create an interesting legal precedent ("Court review of Guinness case", December 23).

Will it be possible to argue that, for example, motorway motorists driving at 120 miles per hour cannot be prosecuted because those driving at 75 miles per hour escape?

Surely there is no question of innocence, otherwise the board of Guinness would not subsequently have settled with Argyll? Is what remains, therefore, simply another legal charade?

W Graeme Knox,
managing director,
Scottish Amicable Investment Managers,
Amicable House,
150 St Vincent Street,
Glasgow G2 5NQ

Mexico having to bear cost of market fickleness

From Stephany Griffith Jones.

Sir, Your editorial, "Right decision, wrong tactics" December 22), correctly points out some policy mistakes of this and the previous Mexican administration.

However, nothing was said about the extreme fickleness of international financial markets, as a key element in provoking recent events in Mexico. The markets were somewhat over-optimistic about Mexican prospects a week ago; they are certainly over-pessimistic today.

Nothing that has happened in Mexico in recent days can explain such a massive change in perceptions; recent events are largely explained by the intrinsic volatility of international financial market.

Maybe the largest mistake of the Mexican authorities was to pursue a policy so heavily reliant on external capital flows. Would not some disincentives to discourage excessive foreign inflows (especially short-term ones) a year or two ago have implied lower, but more sustainable, private flows?

Greater reliance on domestic saving (as Stephen Fidler rightly suggests in "Latin America faces difficult year ahead," December 23) would also have been prudent.

Perhaps the time has come for governments – in industrialised and especially in developing countries – to review whether deregulation should not be complemented by some management and greater regulation of international capital markets.

Though this clashes with "conventional wisdom", the costs of current extreme freedom in these markets may start to outweigh the benefits.

Stephany Griffith Jones,
12 Lenham Rd East,
Rottingdean,
Brighton,
East Sussex
BNB2 8AF.

Give Texas back as well

From Mr Neil S Mallard.

Sir, I read with interest the letter (December 21) from your Texas-based reader advocating the return of Gibraltar to Spain.

Under the circumstances, I assume that the writer also advocates the return of Texas to Mexico, original administrators of the state.

Remember the Alamo!

Neil Mallard,
14 Beechwood Avenue,
Little Chalfont,
Amersham, Bucks HP6 6PL

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

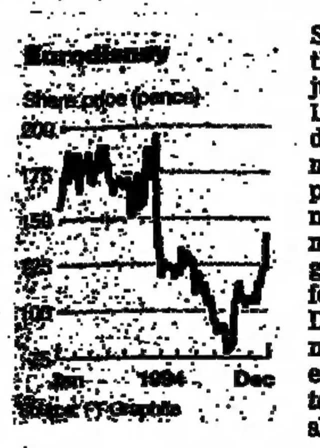
SCA buys out US venture partner

SCA, the Swedish forestry products group, moved to bolster its leading position in the world market for adult incontinence products by buying out the balance of a joint venture it set up with Scott Paper of the US. Page 12

Comalco may float US unit
Comalco, the Australian aluminium producer controlled by the CRA mining group, is considering selling a 100 per cent holding in Commonwealth Aluminium Corporation, through a public flotation in the US. Page 12

Airtel wins Spanish telecoms licence
Airtel-ASR, a consortium backed by AirTouch of the US, British Telecommunications, and two Spanish banks was awarded a licence to install a second mobile network in competition with Telefónica, the government-controlled operator. Page 12

Euro Disney shares jump



Shares in Euro Disney, the theme park operator, jumped 18p to 141p in London, making it the day's sharpest rise in the market. The rise was partly inspired by comments from the chairman, Mr Philippe Bourgignon, who said figures for the first quarter to December showed a "significant" rise on a year earlier. Dealers also cited technical reasons for the share price leap. Page 17

Pentos forces Athena into receivership
Pentos, the UK specialist retail group, yesterday forced one of its subsidiaries, the 157-shop posters and greeting cards chain Athena Holdings, into administrative receivership. Page 12

Revival in gilts set to continue
Concerns about the pace of economic growth, inflation and rising interest rates will no doubt continue to dominate market sentiment. But further displays of anti-inflationary zeal by the UK authorities, and a more benign international environment should support prices. Page 13

Mexican stocks shake off rate rise
Mexican stocks rose in early trade despite a rise in domestic interest rates as investors reacted positively to news that peace talks between the government and rebels in the southern state of Chiapas could be re-opened. Page 23

Unilever buys Spanish foods group
Unilever, the Anglo-Dutch consumer products group, yesterday agreed to buy 60 per cent of a Spanish frozen food company from Danone, France's largest food group. Page 14

Stanhope tries to avoid receivers
Stanhope, the UK property developer headed by Mr Stuart Lipton, resumed its efforts to avoid receivership six days after its banks decided not to renew its credit facilities. Page 14

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Douglas Hldg	441	+	6.5
Porsche	880	+	15
Verein-West	341	+	5
Falls			
Schmalbach Lub	326	-	7
Varta	287	-	6
Zanders Feinp	225	-	6
NEW YORK ($)			
Rises			
[illegible]	7¾	+	1
[illegible]	21½	+	1
Falls			
Petrie Str	22	-	2¾
[illegible]	[illegible]	-	[illegible]
[illegible]	25⅞	-	3⅛
Upjohn	29¼	-	1⅛
PARIS (FFr)			
Rises			
Fonc Lyonnaise	789	+	30
Geophysique	329	+	8.2
Falls			
BNP	253.7	-	8.1
Credit Lyon	442	-	18
Eco	615	-	29
GTM-Entrepose	363.5	-	13.7
TOKYO (Yen)			
Rises			
Dai Tokyo F&M	730	+	25
Nippon Fire	684	+	32
Nippon Soda	650	+	28
Falls			
Mitsui Soko	836	-	28
Noritake	778	-	28
Seibu Railway	3830	-	120

New York prices at 12.30.

LONDON (Pence)			
Rises			
Body Shop Int	191	+	9
[illegible]	371	+	12
Euro Disney	141	+	18
Evans of Leeds	112	+	7
Goldsmiths	133	+	6
Mackie Int	216	+	14
North West Wa	552	+	14
[illegible]	541	+	18
[illegible]	19	+	1½
Seaboard	477	+	15
S Wales Elect	678	+	19
[illegible]	228	+	6
Vega	258	+	10
Yorkshire Elect	707	+	19
Yorkshire Water	523	+	18
Falls			
[illegible] Central	57	-	9
Pentos	14½	-	2

Allianz seals agreement with Berner

By Ian Rodger in Zurich

Allianz, Europe's largest insurance group, has consolidated its position among the leaders in the Swiss market with a co-operation pact with Berner Holding, one of Switzerland's top 10 non-life insurers.

Berner also said Allianz was seeking to raise its stake from 31.5 per cent to 51 per cent. The Swiss group did not oppose such a move but said there was no agreement on how or when it would be done.

Last June, Allianz revealed that it had acquired the 31.5 per cent stake through stock market purchases, and said it sought a co-operation agreement.

Berner, which can prevent any shareholder from exercising more than 3 per cent of the votes, said at the time that such an agreement would depend on respect for its independence and maintenance of its share listing.

Yesterday, after the conclusion of the co-operation pact, it agreed to allow Allianz to vote with its 31.5 per cent stake. It also added: "We do not see any problem with 51 per cent." Coupled with Allianz's SFr2.2bn ($1.65bn) acquisition of Elvia in September, the Berner move catapults the German group into third position in the Swiss non-life market after Zurich Insurance and Winterthur Insurance. In the life area, it is estimated to be in sixth position.

These moves are a dramatic example of a company exploiting the current liberalisation of European insurance markets. Until a few months ago, Allianz was a tiny player in the Swiss market, with only SFr268m in premium income there last year.

Although Switzerland is not a member of the European Union, it has been liberalising its market in step with European Union directives. Although the country is relatively small, its insurance market is very large, with SFr30bn a year in premium income. The Swiss spend SFr3,000 per head per year on insurance, more than anyone else in the world.

Berner said it expected to strengthen its position on the Swiss market significantly as a result of the pact.

It hopes to use Allianz's international network to offer its Swiss clients better international coverage and service and hopes to benefit from Allianz's financial investment skills.

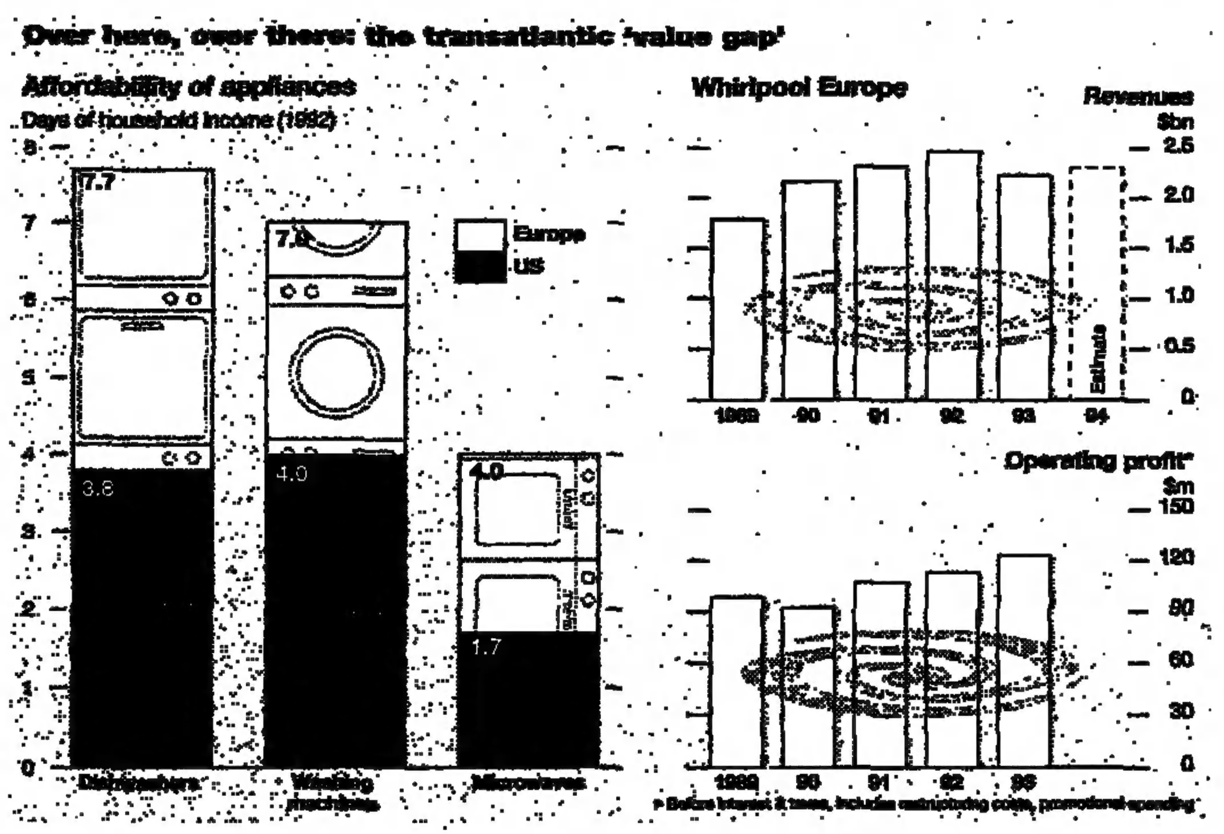
Another potential area of co-operation was reinsurance, with Berner having access both to Allianz's own reinsurance division and to its 25 per cent owned affiliate, Munich Reinsurance.

In the Swiss non-life sector, Berner was ranked sixth last year, with premium income of SFr738.2m. Elvia was fifth with premium income of SFr1.3bn. Together, they would overtake La Baloise to occupy third position. In the life sector, Elvia was in seventh position with premium income of SFr720m and Berner in 14th with SFr355m in premium income.

Berner said that a merger of Elvia and Berner was not foreseen. Collaboration between the two was possible but had not yet been discussed.

Andrew Baxter sees Whirlpool's European white goods strategy enter a new cycle

Putting sales in a spin after costs squeeze



Like an old-fashioned wringer squeezing clothes dry, Whirlpool is coaxing extra profits and productivity out of the former Philips white goods business. The US domestic appliances maker completed the two-stage $1.1bn purchase of its Dutch rival's operations in the sector in 1991.

By the end of the first quarter of 1995, Whirlpool Europe executives at Comerio in northern Italy will have completed detailed discussions with unions and staff on shedding about 2,000 of the company's 13,000 employees.

A cut of this size smacks of a company in trouble. In fact, the plan announced in November is the next logical step in a relentless drive to transform the inefficient, underperforming business which Michigan-based Whirlpool inherited from the Dutch electronics and electrical group.

The aim is to raise Whirlpool Europe's profitability to levels achieved by its sister business in North America, secure its future in the highly competitive European white goods market, and advance Whirlpool's long-term strategy in an industry where the big players are increasingly thinking global.

But Mr Ivan Menezes, Whirlpool Europe's vice-president for group marketing, stresses the changes are not about "going in and slashing out costs. The emphasis is very much on how we go to market, clearly recognising we needed to be far more efficient." Whirlpool executives see themselves as leading the battle to close what Mr Menezes calls the "value gap" between Europe and US, to give European consumers a better deal.

Because of Europe's fragmented industry, and big national differences between products, Whirlpool estimates it took an average 7.7 days of household income in 1992 to buy a dishwasher in Europe, against just 3.8 days for a comparable machine in the US.

Over the past two years, phase one of the process has focused on the big items in Whirlpool Europe's cost structure – products, manufacturing and materials and components supply.

The result mirrors the transformation at Electrolux, the Swedish-based European market leader – a pan-European production base created out of former national centres, and a big, continuing product-renewal programme based on brands to suit customers with different pockets.

Employment at Whirlpool Europe has fallen from 16,000 in 1991, partly because of a sharp reduction in indirect workers, the spin-off of compressor production and the sale of a factory in Barcelona. Organic growth and acquisitions in central Europe offset some of the reductions.

The changes, coupled with much tighter management of working capital, are already showing through in improved financial results. Profits before tax and interest rose from $92m in 1990 to $123m in 1993 as sales hovered between $2.16bn and a peak of $2.46bn in 1992. Market share in Europe has risen from 11.5 to 12.5 per cent.

The rise in profits has come in spite of industry-wide declines in retail prices of 2-3 per cent a year, restructuring costs and heavy promotional costs incurred by Whirlpool to establish its name in Europe. The Philips name, which disappeared first from appliances in the Dutch market, will be dropped in the last two markets, France and Germany, early in 1995.

> 'Trade channels across borders have a lot more in common than different channels within a country'

Now comes phase two. After a two-year investigation, Whirlpool is replacing its traditional country-based sales organisations with two pan-European sales organisations based around the two big "trade channel" groupings for white goods – built-in and free-standing equipment.

Mr Jeff Fettig, president of Whirlpool Europe, says these support activities are typically conducted in Europe with "fragmented infrastructures, inconsistent business processes and service levels". The aim is for them to be "consolidated, re-engineered and standardised across borders". Each European country used to have its own sales force, trade marketing, order processing and back office support, but while trade channels are evolving at varying paces in the countries, Mr Menezes says the investigation showed that "channels across borders have a lot more in common than different channels within a country".

Two multiple retail chains in France and the UK, for example, would have much more in common than either would have with a neighbouring small independent retailer, or a kitchen boutique. And as the "winning channels" – big retail chains – form links across borders, Whirlpool needs a matching structure so that it can manage the relationship more effectively. "Our analysis was done before the Kingfisher/Darty deal," says Mr Menezes of last year's takeover by the UK retailer of the French electrical store group. "We had predicted those kind of alliances would continue."

The shake-up is also intended to address a competitive issue peculiar to Whirlpool in Europe. "We cannot win the game in Europe by competing on a country-by-country basis," says Mr Menezes. "Whether it be Hotpoint in the UK, Thomson in France or Bosch-Siemens in Germany, we have competitors who are much larger than us in each of those markets, and so will always beat us on selling and administration costs."

The solution, he says, is for Whirlpool to take the advantage of its European size and scale to each local market, enabling it to beat a strong, entrenched national competitor. A key element in the shake-up, therefore, is increased regionalisation and centralisation of back office and support services. Transaction and processing activities will be moved into regional centres, and one centre will be set up to handle administration of payables and other accounting matters. Several sites are being evaluated, says Mr Glen Walker, Whirlpool Europe's chief financial officer.

The changes will be completed next year, and will save $80m, on an annualised basis, that will be spent elsewhere, for example on advertising.

Mr David Newkirk, a consultant at Booz Allen & Hamilton who has been working with Whirlpool since 1991, sees the restructuring as a "very keen two-edged sword. It cuts out the last pocket of tricky cost, but more than that it creates an organisation with much greater control of the products and the channels".

A lower cost base will help Whirlpool Europe address what Mr Menezes sees as the biggest challenge for it and the industry in 1995. Double-digit increases in raw material prices forced Whirlpool Europe to raise its own prices in the third quarter, but the picture has worsened since then, he says. "Outrageous" price increases of 20-30 per cent are being sought for some grades of steel, he says, and suppliers of other raw materials – and component suppliers using them – are also seeking big increases.

"The number one challenge will be in recovering these cost increases", he says. This could mean "high single-digit increases, and in some cases double-digit increases" in Whirlpool Europe's selling prices.

Further globalisation across Whirlpool as a whole, and new programmes in Europe to increase brand loyalty among customers – a perennial problem for the white goods industry – are likely.

But achieving parity with Whirlpool in the US on operating margins is "absolutely achievable" without moving to this next stage, Mr Menezes says. "We are two or three points off at present, and are making progress. We have always maintained that we can do it."

Nokia to sell aluminium unit to focus on telecoms growth

By Hugh Carnegy in Stockholm

Nokia, the world's second biggest mobile telephone maker, agreed to sell Nokia Aluminium as part of a plan to focus the Finnish group on its fast-growing telecommunications operations.

The unit, with annual sales of about FM300m ($63m), is to be bought for FM130m by a consortium of Morgan Stanley Capital Partners, a division of Morgan Stanley of the US, CapMan Capital Management, a Finnish investment group, and the management of Nokia Aluminium.

The deal is one of the last steps in a transformation of Nokia in less than three years from a widely-spread and troubled industrial conglomerate into a dynamic telecommunications group which has achieved big growth in sales and profits, particularly in its mobile telephone division. Nokia is Europe's top mobile telephone manufacturer and second only to Motorola of the US in world markets.

In the first eight months of the year, group profits rose five-fold to FM2.9bn with sales up an underlying 40 per cent to FM18.2bn. A driving force was a 64 per cent increase in mobile telephone sales to FM5bn.

Selling Nokia Aluminium, which makes products such as lighting tracks and cable channels, follows the recent sale of Nokia's picture tube factory in Germany to Matsushita Electronics of Japan and the FM1.4bn sale of the group's energy supply subsidiary to the Finnish power group Pohjolan Voima. Nokia is also to float off most of its 80 per cent holding in Nokia Tyres.

When these moves are completed, Nokia will comprise of four core divisions: telecommunications, supplying systems and equipment for telecom networks; mobile telephones; consumer electronics; and cables and machinery. Nokia Aluminium was part of the cables and machinery division, now weighted towards the telecommunications industry.

Mr Tapio Hintikka, head of the cables and machinery division, said the sale of Nokia Aluminium meant the divestment plan was fulfilled "at least for the time being". He said all Nokia group operations were self-standing.

The main problem area for Nokia is its consumer electronics division which has been a consistent money-loser in recent years. But Mr Jorma Ollila, Nokia's chief executive, says the division will soon return to profit and he intends to retain it in part to help explore opportunities in multi-media products.

Goldman slides in Wall St rankings

By Patrick Harverson in New York

A difficult 1994 for Goldman Sachs will end on a suitably downbeat note with the publication of annual rankings showing that the investment bank slipped from second to fifth place among Wall Street firms underwriting debt securities.

According to the preliminary results released by the financial information company Securities Data, Goldman was the fifth largest underwriter of debt securities this year, with a total of about $53bn. In 1993, Goldman ranked second with $108bn. The sharp drop in underwriting business contrasted with some of the firms ranked above Goldman, which saw much smaller declines in volume. Merrill Lynch again ranked first with $102bn (compared with $145bn in 1993), Lehman Brothers moved up one position to second with $70.4bn ($103bn), and CS First Boston jumped three places to third with $70bn ($82bn).

The slide in its position is just the latest setback for Goldman, which has been hit hard by the contraction in US capital markets. Its earnings are reported to have dropped 80 per cent to about $500m in fiscal 1994, a bigger decline than recorded by most of its main competitors.

Goldman has suffered from a larger-than-usual number of retirements among its partners, who provide the bulk of the privately owned firm's capital. The departure of many top executives was linked to the poor earnings performance and to an erosion of Goldman's famously close-knit corporate culture. In recent weeks, it has announced plans for big lay-offs among staff in an attempt to cut costs and improve its results.

While analysts say the big fall in earnings at Goldman was primarily attributable to rising costs and losses on bond market trading, they are not so sure why the firm's underwriting business declined so sharply. One possible explanation may be found in a survey of senior US corporate executives by Financial World magazine, which found that although Goldman still ranked as the most highly-respected securities firm on Wall Street, it was also rated as the firm where service had declined the most.

All news has not been bad for Goldman. Last month, it won the much-prized position of global co-ordinator in the privatisation of Deutsche Telekom.

FINANCIAL TIMES
Thursday December 29 1994

Tension surrounds Algerians in France

After the Christmas jet hijack, Moslems living in Paris fear a backlash, explains **John Ridding**

There was an air of unease yesterday in the Café du Dome in Barbès, a district in northern Paris with a large Algerian community. The Christmas hijacking of an Air France airliner by Islamic militants and the murder of three French priests in Algeria on Monday dominated conversation.

"It is tragic what is happening. Algeria is being torn apart," said Hamid, a mechanic who moved to France in the mid-1980s. He fears that his new homeland is being dragged increasingly into Algeria's civil war and expresses concerns about the implications for France's Algerian community, which numbers more than 1m, and for other Moslem groups in France.

"We are worried that the troubles will come to France and build a feeling of hostility towards ordinary Moslems," says one of Hamid's friends as he grinds his Gauloise into an ashtray. Such concerns among France's Moslems have been fuelled over recent months by a series of crackdowns on suspected Islamic militants by Mr Charles Pasqua, the hardline interior minister. Mr Pasqua, determined to prevent the spread of the Algerian conflict to France, has launched a series of security measures since the summer, from stop and search operations to the expulsion of suspected Moslem radicals.

Mr Pasqua believes that France's Moslem community has been infiltrated by extremists. In raids last month, he claimed to have smashed an international support network for the Armed Islamic Group (GIA), the most militant opponents of the Algerian government and the perpetrators of the Christmas hijack.

Most Moslems play down the threat from extremists in France. "There is little support for them. And I think there are very few here," said one delegate to last week's congress of the Union of French Islamic Organisations.

Many Moslem groups, such as the National Council of French Moslems, endorsed the storming of the Air French airliner in which four Islamic extremists were killed. They also backed French policy towards Algiers. "France is the best-placed western country to play a significant role in the search for a democratic solution to the Algerian drama," the council said.

There are, however, growing concerns about attitudes to Moslems in France. "First there have been the security crackdowns, then there was the banning on wearing headscarves in classrooms," says Yusef, a student who lives in Nanterre, a suburb to the west of Paris with a significant large Algerian population. "There is a feeling that tolerance is being strained."

The relationship between France and its Moslem community remains fragile. "The Moslems in France are a disparate community and France has still not come to terms with its Algerian history," says Mr Dominique Moisi, deputy director of the French Institute for Foreign Affairs. "They will be destabilised by the events of the past few days." The relationship may face further strains, particularly if the number of immigrants from Algeria increases.

Demands for political asylum from France's former colony are rising steadily, according to statistics released yesterday by the French Office for the Protection of Refugees. In November 300 Algerians applied to France for asylum, more than 20 per cent higher than in October and double the number in June.

As the Algerian civil war escalates, the number of immigrants is expected to rise further. With urban problems already a serious social concern and with political parties of the extreme right such as the National Front firmly opposed to immigration, the concerns of Hamid and his friends are likely to become more acute.

Britain 'lagging Germany on labour costs'

By Robert Taylor, Employment Editor, in London

Britain's labour competitiveness is in danger of falling rapidly behind that of Germany as both countries pull out of recession, the Confederation of British Industry warned yesterday.

In its latest pay trends survey the CBI said average UK settlements showed an increase of 3.4 per cent increase in the three months to November among manufacturing companies and of 4.3 per cent in the services sector.

It added that higher manufacturing productivity was masking the impact of high wage increases on the country's competitiveness. Official earnings figures, which include overtime and bonuses, are showing a 4 per cent annual rise. While manufacturing productivity grew by 3.7 per cent according to provisional figures for the second half of the year, UK unit labour costs dropped by 2 per cent in 1994.

A few years ago that would have given UK competitiveness an "exceptional boost" as Germany struggled with the problems of reunification, Mr Robbie Gilbert, the CBI's employment affairs director said. But the Germans had cut unit labour costs in the western part of the country by 6 per cent in the past year.

"We are falling behind again," warned Mr Gilbert. "With price rises low, British workers are receiving bigger real rises than the employees of our major competitors – many of whom are now accepting real cuts in pay."

German labour market statistics show 7.5 per cent growth in industrial productivity to August year on year, average hourly earnings increases of only 1.9 per cent and a drop in unit industrial labour costs of 5.8 per cent.

The latest forecasts for Germany, published last week by the Paris-based Organisation for Economic Co-operation and Development, suggest its unit labour costs will grow by 0.1 per cent next year and 1 per cent in 1996.

By contrast the OECD expects the UK's unit labour costs to grow by 1.6 per cent in 1995 and 3 per cent in 1996 although the report said productivity performance had been strong this year in the UK and real wage growth had remained moderate.

The CBI survey came too late to be considered in yesterday's monthly monetary meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England. They are thought to have decided against an early rise in interest rates.

A Treasury spokesman noted that recent developments on pay and unit labour costs in British industry had been "very good".

Monetary policy review, Page 4
Feel-bad recovery, Page 8

UK officials near top of international pay league

By Andrew Adonis in London

Britain's civil servants are better paid than almost all their international counterparts, according to a paper published today.

Only Japan's senior officials come out above Whitehall's in the pay league of civil servants in leading states within the Organisation for Economic Co-operation and Development, according to the paper by the European Policy Forum, a London-based think tank.

The forum says UK permanent secretaries – the cream of Whitehall – are paid markedly more than their German, French and US counterparts.

The figures, calculated from 1990 pay rates in US dollars at purchasing power parity, are taken from a recent study of senior civil service pay in 11 countries within the OECD carried out by researchers for the Paris-based organisation.

The figures also show that during the 1980s UK permanent secretaries were the only top civil servants in the 11 states whose pay rose by more than the rise in per capita GDP, thanks to big increases in 1985 and 1986.

Mr Graham Mather, president of the European Policy Forum and a Tory MEP, said: "These figures end the myth that British top civil servants are paid less than their equivalents overseas and suggest that it is time to reassess their performance criteria."

At $125,000 in 1990, the basic salaries of British permanent secretaries are shown by the study to be just behind Japanese levels. By contrast, counterparts in France were paid $70,000, in the US $90,000 and in Germany $100,000.

■ Editorial Comment...Page 9

The figures exclude most perks and bonuses, but include the substantial bonuses for German and Japanese senior officials that form an intrinsic part of the salary.

Britain also ranks second of the 11 for the pay of its second and third-tier civil servants.

In a submission to Mr David Hunt, minister for public service, the think tank calls on the government to abandon plans for a special new top pay scale, to start in April, which would cover permanent secretaries and Sir Robin Butler, the cabinet secretary.

Permanent secretaries are paid £95,000 a year and Sir Robin £118,000. The new salary scale was proposed in last July's civil service white paper, although the government has yet to decide whether to proceed.

In his submission to Mr Hunt, Mr Mather claims it would be "great political folly" to introduce a "super pay league" until "clear policy target agreements" are established between senior officials and ministers.

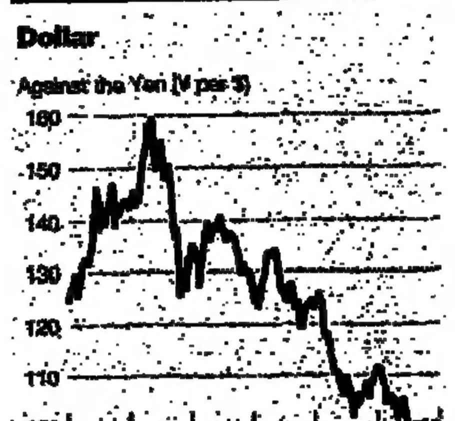
Such agreements would make salaries more contingent upon performance, a move that has been resisted by permanent secretaries, although the chief executives of the new executive agencies are on contracts and eligible for bonus payments.

Ms Liz Symons, general secretary of the First Division Association of senior civil servants, said she was "astonished" by the OECD figures. "Other countries have not got career civil servants of our kind, so comparisons are very difficult," she said.

THE LEX COLUMN

ITT in focus

FT-SE Index: 3095.8 (+12.4)



ITT, the company that was once the arch conglomerate, now preaches the virtues of focus. Indeed, after the disposal of its non-insurance financial services activities, it will be more focused than at any time in its recent history. It has taken Mr Rand Araskog 15 years as chairman to get to this point, but shareholders should be pleased.

In the past month ITT's stock has climbed by more than 10 per cent, or 8 per cent against the market, as investors have taken in the implications of the withdrawal from financial services. The move brings in net cash of $3bn to $3.5bn and leaves the group with three well-defined legs: manufacturing, insurance and leisure. In spite of the new focus ITT concedes that there is no special synergy between these businesses, and the group's rating suffers a "conglomerate discount". Analysts suggest the value of the individual parts could be as much as $130 a share, compared with $87 now. Earlier this year, ITT itself raised the tantalising prospect of a break-up. A self-sponsored dismemberment would undoubtedly be in shareholders' interests.

There is a risk, though, that ITT's break with the past is less pronounced than recent transactions suggest. The $1.7bn purchase of the Caesars World gaming group, announced just before Christmas, makes eminent sense since the fit with ITT's Sheraton hotels is excellent. Less logical is the proposed acquisition of the Madison Square Garden sports and entertainment company, a move which provoked an 8 per cent fall in ITT's share price in the week it was announced. At least the group decided not to diversify into the risky broadcast television sector. That would have represented an unwelcome return to old-style ITT behaviour, where expansion took precedence over the pursuit of shareholder value.

Mexico

The Mexican peso's sharp fall and the government's failed efforts to defend it have significantly increased the cost of servicing Mexico's debt while sharply reducing the nation's ability to pay for it. But the present emergency need not prove a rerun of 1982. The existence of Nafta should limit the hurt; it is in the interests of the US and Canada to prevent a full-blown financial and economic collapse in Mexico that could culminate with immigrants and cheap imports pouring over their borders. A comprehensive package is required. Internationally, the US, possibly with Canada and the IMF, must put together an emergency credit or guarantee facility, probably worth more than the $10bn required to restore credibility. Internally, the government must demonstrate its commitment to a balanced budget by accelerating the privatisation programme, while also providing support for the endangered banking sector. If the immediate devaluation's economic and political damage can be limited, a weaker currency could strengthen the Mexican economy through an export-driven recovery.

US dollar/Yen

The US dollar's long-term depreciation against the yen appears to have stopped – at least for the moment. Most indicators are supporting the dollar. In spite of the 15 per cent year on year increase in Japan's current account surplus during November, the underlying trend remains downward. For the first 11 months this year, the politically contentious surplus fell nearly 10 per cent in yen terms and 1.9 per cent in dollar terms. Interest rate differentials are also moving in the dollar's favour, as long as Japanese interest rates remain at their historic lows, and the Fed continues to tighten monetary policy, the US currency should become increasingly appealing.

The only thing limiting an immediate dollar rally is the continuing reluctance of Japanese investors to buy dollar-denominated assets. Japanese institutions discovered to their cost this year that the marginal benefit offered by real US interest rates can be destroyed in a single day through adverse currency movements. They need to be substantially compensated for the risk by more than a couple of percentage points. Unless the US interest rate cycle peaks at a higher level than the consensus, the Japanese may continue to be reluctant to invest in the US. That reluctance could significantly limit any appreciation of the dollar early next year. Any respite for the US currency is likely in any case to be temporary. While the interest rate cycle may support the dollar in the short term, the yen's long-term appreciation remains assured.

Japan's inflation record is far superior to that in the US. The country's ability to improve productivity should ensure the trade surplus does not shrink excessively; and with Japan's overseas investment income forecast to reach $1,000bn a year by the end of the decade, the current account surplus's continued growth is assured. The dollar may briefly appreciate this year, but it is not out of the woods.

Spain

Spain and Italy tend to be lumped together from an investment point of view as high-yielding Mediterranean markets on Europe's periphery. For much of this year, this comparison has seemed unfair on Spain, a country which has its fair share of economic troubles and political instability, but not apparently on the same scale as Italy. However, in the past few weeks, the gravity of Spain's home-grown political problems has intensified amid mounting evidence of links between the current administration and illegal anti-terrorist activities.

It is not surprising that the peseta has weakened against the D-Mark in the past few weeks and is now below its former floor under the European exchange rate mechanism. The gap between yields on Spanish bonds and German bunds has also widened, in common with the performance of Italian bonds. But more recently Spanish bonds have underperformed their Italian equivalents. This is likely to continue, especially if foreign investors' confidence in Italy revives appreciably. In Italy, political chaos is fully priced into the market – in Spain this is not yet the case. An added risk for bond investors comes from the inflation outlook; poor inflation figures for January could lead the Bank of Spain to increase short-term interest rates.

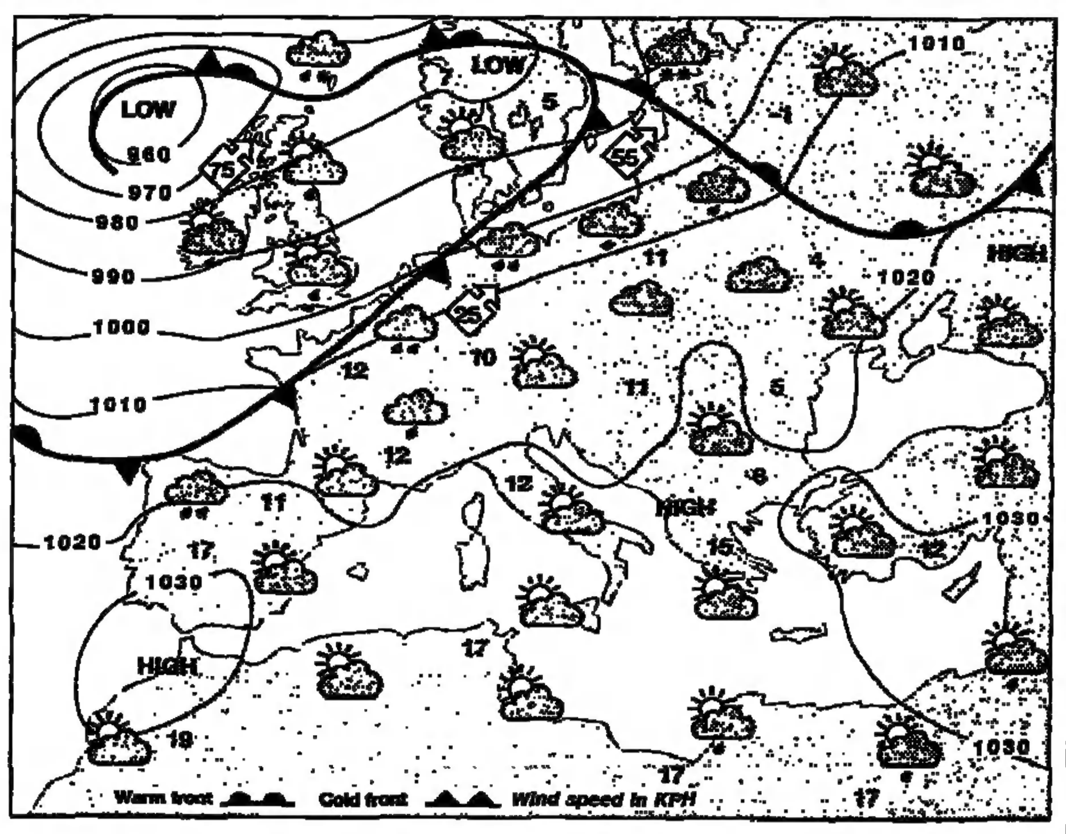
FT WEATHER GUIDE

Europe today

A cold front will move into western Europe producing rain in southern Sweden, the Low Countries, France and north-west Spain. The British Isles will have widely scattered showers and occasional sunny periods. Strong winds are expected in north-west Ireland. Warm air will be pushed into Scandinavia, causing snow in Finland and northern Sweden. Eastern Europe will be mostly overcast with unseasonably high temperatures. A high pressure system over Albania and Italy will bring settled conditions to the Mediterranean and the Balkans. Remnants of an active low near Turkey will mean scattered showers in Turkey and Israel.

Five-day forecast

A high pressure system will build over the UK while low pressure systems will move to the Mediterranean and Scandinavia. As a result, periods of rain or snow are expected in Scandinavia. The UK will turn colder during the weekend and winds will become light. Rain is expected in central Europe with snow in the Alps. The western Mediterranean will be unsettled with showers or rain but eastern regions will be sunny.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

		Maximum	Beijing	fair	2	Caracas	fair	30	Faro	cloudy	17	Madrid	cloudy	11	Rangoon	fair	32
		Celsius	Belfast	shower	7	Cardiff	shower	10	Frankfurt	rain	12	Majorca	fair	17	Reykjavik	cloudy	-2
Abu Dhabi	sun	25	Belgrade	cloudy	10	Casablanca	fair	19	Geneva	cloudy	9	Malta	fair	17	Rio	fair	26
Accra	fair	32	Berlin	rain	12	Chicago	cloudy	3	Gibraltar	fair	18	Manchester	shower	9	Rome	cloudy	17
Algiers	sun	18	Bermuda	shower	22	Cologne	rain	12	Glasgow	shower	6	Manila	hazy	31	S. Frsco	fair	14
Amsterdam	rain	12	Bogota	fair	19	Dakar	fair	25	Hamburg	rain	11	Melbourne	fair	20	Seoul	sun	3
Athens	sun	15	Bombay	fair	30	Dallas	fair	14	Helsinki	rain	0	Mexico City	fair	21	Singapore	fair	32
Atlanta	cloudy	15	Brussels	rain	12	Delhi	sun	24	Hong Kong	fair	21	Miami	fair	26	Stockholm	rain	6
B. Aires	fair	29	Budapest	cloudy	10	Dubai	sun	26	Honolulu	shower	27	Milan	cloudy	6	Strasbourg	fair	13
B.ham	shower	10	C.hagen	rain	8	Dublin	rain	8	Istanbul	fair	11	Montreal	snow	-10	Sydney	shower	23
Bangkok	fair	35	Cairo	fair	17	Dubrovnik	cloudy	17	Jakarta	cloudy	30	Moscow	fair	0	Tangier	fair	18
Barcelona	fair	15	Cape Town	sun	29	Edinburgh	shower	7	Jersey	shower	9	Munich	cloudy	12	Tel Aviv	rain	18
									Karachi	sun	28	Nairobi	fair	26	Tokyo	shower	8
									Kuwait	fair	19	Naples	fair	17	Toronto	snow	-5
									L. Angeles	sun	19	Nassau	fair	25	Vancouver	fair	6
									Las Palmas	shower	24	New York	fair	6	Venice	cloudy	9
									Lima	cloudy	27	Nice	fair	15	Vienna	fair	12
									Lisbon	rain	16	Nicosia	fair	16	Warsaw	cloudy	11
									London	shower	12	Oslo	cloudy	4	Washington	fair	10
									Lux.bourg	rain	10	Paris	rain	12	Wellington	fair	20
									Lyon	fair	12	Perth	sun	33	Winnipeg	snow	-8
									Madeira	fair	22	Prague	fair	11	Zurich	cloudy	11

هكذا من الاصل

Despite political concerns, prospects are bright, says **Graham Bowley**

Revival in gilts set to continue

OUTLOOK 95

A dark and bruising year for investors in UK government bonds finally draws to a close. The prospect for gilts next year looks a lot brighter but political uncertainty could again cast a shadow over the market.

Concerns about the pace of economic growth, inflation and rising interest rates will no doubt continue to dominate market sentiment. But further displays of anti-inflationary zeal by the UK authorities, a more benign international environment and proposed gilt market reforms promising greater transparency and liquidity should support prices.

Gilts began this year in a positive mood, with the yield on the 10-year benchmark bond at a low of 6.1 per cent in January. What happened next has been well-documented – a turn upwards in US interest rates in February, the unwinding of speculative bond positions by highly-leveraged funds and bond investors fleeing the market at the prospect of rising inflation and higher interest rates worldwide.

The US, much further advanced in the economic cycle, led the way. In spite of much talk of "decoupling", European countries, many barely out of recession, followed suit. An explosion in German money supply growth added to the jitters and the UK, with strong economic growth and a poor record on inflation, was badly hit.

Gilt yields climbed to around 9 per cent by September. Part of this 300 basis point rise was due to the increase in real yields, attributable to stronger economic growth: the yield on index-linked bonds rose by more than 100 basis points to 3.9 per cent in September.

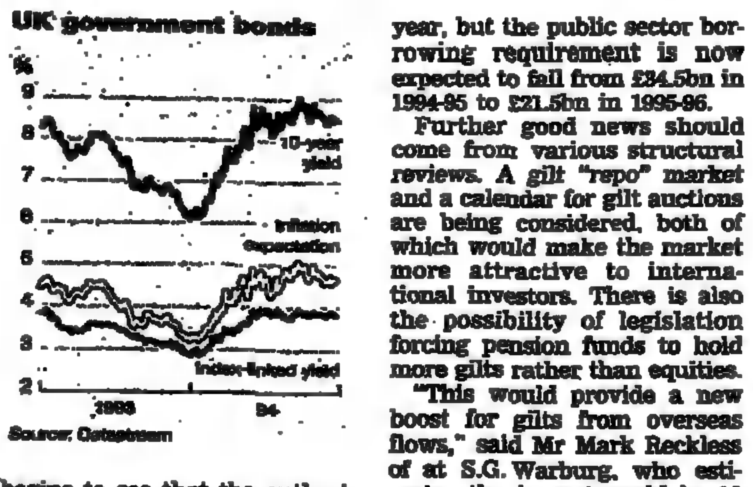
The remainder was due to a rise in inflation expectations and a risk premium associated with, for example, political uncertainty. The difference between nominal and index-linked yields, a rough measure of inflation expectations, jumped from 3.2 per cent at the turn of the year to 5.1 per cent by September, while actual inflation averaged around 2.4 per cent – a clear sign that the markets doubted the authorities' ability to keep inflation under control.

Since the autumn, however, things have changed. There have been modest signs of stability, as yields have fallen back to 8.5 per cent, and the proportion of that yield due to inflation expectations has shrunk. The Treasury and the Bank of England can take much of the credit, having promoted the transparency of economic policy. They produce monthly inflation reports and publish minutes of monthly meetings between the chancellor and the Bank governor.

Most important, however, they have twice raised interest rates – in September and in December – to leave base rates at 6.25 per cent. The rises were well received by the markets as timely and aggressive moves to head off inflation.

At last, it seems, gilt investors are beginning to believe the authorities are committed to keeping inflation low. It was their reluctance to do so that caused much of the this year's difficulties. "Gradually, more and more sceptics are being won over," said Mr Ian Shepherdson of Midland Global Markets. "Next year is going to see a coming together of the actual economic fundamentals and what the market perceives them to be – something which has not happened this year."

Mr Kevin Adams of BZW agrees: "Hopefully, 1995 will be a year in which the market begins to see that the authorities are operating in a pre-emptive fashion to ensure inflation remains subdued." He thinks next year will see a flattening of the yield curve, with the spread between short and long maturities narrowing to less than 100 basis points, and the spread against German bund yields falling for a time to below 100 basis points.



Source: Datastream

He says that one crucial question for next year is the size of the UK output gap – the difference between the actual growth rate in an economy and its theoretical potential growth rate if all spare capacity were used. This will determine how much longer the UK economy can grow at above-trend growth before beginning to overheat.

The OECD estimates the gap at 4 per cent. With trend growth rate estimated at around 2½ per cent, this means the UK economy could have two to three years to continue growing at a rate of around 3¼ per cent before inflationary pressures begin to emerge.

Another boost to the gilt market next year is likely to come from an improvement in government finances. This year's busy funding programme weighed heavily on the gilt market early in the year, but the public sector borrowing requirement is now expected to fall from £34.5bn in 1994-95 to £21.5bn in 1995-96.

Further good news should come from various structural reviews. A gilt "repo" market and a calendar for gilt auctions are being considered, both of which would make the market more attractive to international investors. There is also the possibility of legislation forcing pension funds to hold more gilts rather than equities.

"This would provide a new boost for gilts from overseas flows," said Mr Mark Reckless of at S.G. Warburg, who estimates the impact could be 10 to 15 basis points narrowing across the yield curve.

However, perhaps the overriding influence on gilts next year will be the international environment. "This should be supportive, particularly with the US economy slowing and [US] interest rates near their peak," said Mr Adams.

Others are more cautious. Mr Paul Cavalier of Lombard Odier said: "Any progress will be limited, with growth picking up across Europe and interest rates heading upwards," although there is the potential for the UK to perform the best of the European markets.

Towards the end of next year, however, political concerns may begin to weigh heavily on the gilt market as investors begin to worry that the government, lagging in the opinion polls, will be tempted to cut taxes to engineer a pre-election boom.

The signs are that the modest revival in gilts will continue, at least for the first half of 1995. There will be no dramatic recovery. But if the authorities do not convince the markets that they are prepared to be as strict on fiscal policy as they are on monetary policy, then any progress could easily be undone.

US prices show little change in quiet trade

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices were little changed in quiet trading yesterday morning as investors focused on an almost flat yield curve.

At midday, the 30-year government bond was down 1/8 at 96 25/32, yielding 7.761 per cent and the two-year note down 1/32 at 99¾, to yield 7.690 per cent.

GOVERNMENT BONDS

The spread between yields on two-year notes and the long bond is down to 7 basis points, and many believe it could go negative by early next year.

■ German bunds lost early gains and ended lower after the Bundesbank issued the first DM3bn tranche of the government's new year bond.

Market participants were disappointed by the 7.375 per cent coupon – lower than the 7.5 per cent most had expected – and the pricing of the issue, and dealers reported little demand.

Another tranche is due to be auctioned today, and in the absence of buyers so close to year-end, the supply could weigh on prices, dealers said.

■ French bonds weakened in after-hours trading, dragged down by the decline in bunds and a drop in the three-month Pibor futures contract.

■ UK gilts drifted higher in an uneventful session, slightly outperforming their continental European counterparts. The March long gilt future closed at 102 7/32, up 3/32.

NEWS DIGEST

Portugal raises Es19.4bn from sale of bank stake

Portugal has raised Es19.4bn ($119.6m) from the privatisation of 19.5 per cent of Banco Fomento e Exterior, a trade and investment bank, in an oversubscribed public offer on the Lisbon stock exchange, writes Peter Wise in Lisbon. Discounted prices, dividend pledges and tax concessions proved strong attractions for small domestic investors, making the sale a success for the government's "popular capitalism" programme. Interest from foreign investors, however, was negligible.

Orders were placed for 33.3m shares, although only 15.6m were on offer. Demand was particularly strong for a 3.4m share tranche reserved for small investors at a discount of 8.5 per cent to the basic offer price of Es1,300 a share.

Domestic investors were also attracted by the promise of a 1995 dividend of at least Es60, and by tax allowances that do not apply to non-residents. Foreign investors bought only 0.63 per cent of the bank.

Bank Austria forecasts downturn in profits

Bank Austria, the country's largest bank, said its 1994 pre-tax profits would fall by a quarter to Sch4.5bn ($405m) mainly because of poor results from own-account trading, writes Ian Rodger in Zurich. Trading income would be down 64 per cent to Sch650m, as results from trading securities, currencies, precious metals and derivatives were all below those of 1993.

The bank has also faced sharply increased employee pension charges this year, after changes in a scheme for most of its employees.

Provisions for bad debts would ease slightly to Sch3.9bn from Sch4.1bn, the bank said and dividends would be at least maintained. Assets are expected to reach Sch630bn, up 5.2 per cent from a year ago.

German insurer to raise holding in AGF to 5%

AMB, the German insurance group, is planning to raise its stake in Assurances Générales de France to 5 per cent and become part of a group of stable shareholders when the French insurer is privatised, writes John Ridding in Paris. The German company, which currently holds 2.57 per cent of AGF, intends to raise its stake by the end of June next year even if its French partner has still to be privatised at that date.

AGF is on the list of 21 public-sector groups slated for sale by the French government. Its privatisation, originally expected last autumn, has been delayed by the depressed state of the bond market which has significantly reduced the company's value.

In addition to AMB, other likely core investors include Société Générale and Paribas, the French banking groups. The creation of core investors is aimed at ensuring a smooth transition to the private sector.

Topdanmark changes articles of association

Topdanmark, the Danish insurance group, has resolved a serious debt refinancing problem after changing its articles of association to give shareholders greater influence, writes Hilary Barnes in Copenhagen.

The group must repay debts totalling about DKr1.5bn ($242m) in 1995.

Attempts earlier this year to solve the financing problems were blocked by Danish shareholders, who said they would not subscribe to a new share issue until a system of one vote per shareholder was changed to one vote per share held.

The voting change means large shareholders have agreed to support a DKr175m share issue next year, Topdanmark said. The two biggest shareholders are Eureko BV (an alliance between insurance companies in Sweden, the Netherlands, Portugal, the UK and Denmark) with 30 per cent, and Tryg, the Danish insurer, with 19 per cent.

The group is also in the process of completing arrangements to raise a new DKr800m loan, while Top Insurance will pay a dividend of DKr300m to Topdanmark, the group holding company, for 1994.

Australian drugs group in US marketing deal

F.H. Faulding, the Australian pharmaceutical group, said yesterday that Bristol-Myers Squibb, the US drugs company, had agreed to acquire exclusive US marketing rights for Faulding's new oral sustained-release morphine product, writes Nikki Tait in Sydney.

The drug, patented by Faulding, will be marketed in the US under the Kadian trade name. The Australian company said it expected to file for approvals from the US Food and Drug Administration by the end of June, and – assuming these are granted – to launch the product in 1996.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	09/04	93.9100	+1.170	9.99	10.15	10.36
Belgium		7.750	10/04	96.2100	−0.080	8.32	8.40	8.28
Canada *		9.000	12/04	100.0500	+0.500	8.99	9.06	9.18
Denmark		7.000	12/04	87.5700	−0.080	8.94	8.82	8.86
France	BTAN	8.000	05/98	100.5800	−0.200	7.89	7.69	7.33
	OAT	7.500	04/05	95.7800	−0.240	8.11	8.17	7.97
Germany Bund		7.500	11/04	99.9800	−0.210	7.50	7.51	7.38
Italy		8.500	08/04	80.9000	−0.040	11.89†	12.02	11.65
Japan	No 119	4.800	06/99	103.8400	-	3.88	3.90	3.95
	No 164	4.100	12/03	97.1940	+0.001	4.54	4.59	4.69
Netherlands		7.250	10/04	97.2600	+0.020	7.65	7.65	7.49
Spain		10.000	02/05	88.7400	−0.210	11.69	11.49	11.16
UK Gilts		8.000	08/99	90–23	-	8.46	8.49	8.35
		6.750	11/04	88–22	+5/32	8.46	8.51	8.49
		9.000	10/08	104–14	+8/32	8.45	8.48	8.47
US Treasury *		7.875	11/04	100–28	+9/32	7.74	7.80	7.97
		7.500	11/24	97–00	+10/32	7.76	7.85	8.06
ECU (French Govt)		6.000	04/04	84.3200	+0.150	8.50	8.59	8.40

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.12	Two year	7.69
Broker loan rate	6½	Two month	5.58	Three year	7.76
Fed funds	5 9/16	Three month	5.74	Five year	7.79
Fed funds at intervention	-	Six month	6.59	10-year	7.74
		One year	7.20	30-year	7.76

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.48	111.38	+0.06	111.50	111.28	28,774	133,699
Jun	110.82	110.76	+0.10	110.82	110.70	152	2,633
Sep	110.24	110.18	+0.10	110.24	110.24	2	872

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	-	-	-	0.78	1.60
111	0.41	1.53	1.31	0.07	1.12	-
112	0.03	0.98	-	0.67	1.61	-
113	-	0.62	0.67	-	-	-
114	-	0.35	-	-	-	-

Est. vol. total, Calls 8,250 Puts 3,067 . Previous day's open int., Calls 192,309 Puts 153,826.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.98	89.75	−0.03	90.07	89.75	22811	166208
Jun	89.28	89.23	+0.10	89.25	89.25	144	985

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8950	0.67	0.94	0.87	1.17	0.42	0.69	1.14	1.44
9000	0.42	0.68	0.65	0.95	0.67	0.93	1.42	1.72
9050	0.25	0.48	0.48	0.76	1.00	1.23	1.75	2.03

Est. vol. total, Calls 6217 Puts 2085. Previous day's open int., Calls 134585 Puts 82098

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.05	99.76	0.22	100.30	99.71	7865	43646
Jun		99.06	0.22			0	20
Sep			0			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	1.73	2.27	1.47	2.71
10000	1.45	2.05	1.69	2.99
10050	1.23	1.84	1.97	3.28

Est. vol. total, Calls 357 Puts 178. Previous day's open int., Calls 15879 Puts 14844

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	84.24	84.20	+0.01	84.53	84.11	24,383	42,547

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103-12	103-09	+0-12	103-12	103-10	240	15103
Mar	102-15	102-14	+0-06	102-24	102-13	3990	103692
Jun		101-14	+0-06			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
102	1-33	1-54	1-05	2-26
103	1-00	1-27	1-36	2-63
104	0-40	1-06	2-12	3-42

Est. vol. total, Calls 122 Puts 34. Previous day's open int., Calls 24727 Puts 30365

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.42	81.36	+0.10	81.46	81.32	924	8,181

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	100-20	100-16	-0-05	100-23	100-13	125,306	342,652
Jun	100-08	100-06	-0-03	100-12	100-03	5,354	11,177
Sep	100-02	99-28	+0-01	100-02	99-28	326	676

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.77			108.77	108.60	1256	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Dec 28	Day's change %	Fri Dec 23	Accrued interest	xd adj. ytd		Low coupon yield Dec 28	Dec 23	Yr. ago	Medium coupon yield Dec 28	Dec 23	Yr. ago	High coupon yield Dec 28	Dec 23	Yr. ago
1 Up to 5 years (24)	119.56	+0.04	119.52	1.80	11.14	5 yrs	8.49	8.50	5.57	8.46	8.48	5.78	8.67	8.67	5.87
2 5-15 years (22)	140.93	+0.15	140.72	2.08	12.57	15 yrs	8.33	8.35	6.25	8.47	8.49	6.37	8.67	8.70	6.57
3 Over 15 years (9)	158.82	+0.25	158.42	2.80	12.21	20 yrs	8.30	8.32	6.37	8.47	8.49	6.42	8.60	8.63	6.59
4 Irredeemables (6)	179.41	+0.09	180.25	1.11	14.71	Irred.†	8.39	8.39	6.53						
5 All stocks (60)	137.84	+0.13	137.66	2.11	12.15										

Index-linked	Wed Dec 28	Day's change %	Fri Dec 23	Accrued interest	xd adj. ytd		Inflation 5% Dec 28	Dec 23	Yr. ago	Inflation 10% Dec 28	Dec 23	Yr. ago
6 Up to 5 years (2)	187.28	+0.01	187.26	1.21	5.07	Up to 5 yrs	4.01	4.00	2.00	2.74	2.73	1.15
7 Over 5 years (11)	174.43	+0.08	174.28	0.69	5.34	Over 5 yrs	3.83	3.84	2.87	3.64	3.64	2.69
8 All stocks (13)	174.87	+0.07	174.74	0.74	5.30							

Debentures and Loans	Wed Dec 28	Day's change %	Fri Dec 23	Accrued interest	xd adj. ytd	5 year yield Dec 28	Dec 23	Yr. ago	15 year yield Dec 28	Dec 23	Yr. ago	25 year yield Dec 28	Dec 23	Yr. ago
9 Debs & Loans (77)	130.30	+0.40	129.78	2.21	11.22	9.42	9.44	7.11	9.37	9.39	7.47	9.31	9.34	7.61

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20	Yr ago	High*	Low*
Govt. Secs. (UK)	92.01	91.79	91.77	91.94	91.90	107.56	107.04	89.54
Fixed Interest	109.84	109.84	109.79	109.72	109.67	131.49	233.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19
Gilt Edged bargains	75.1	84.4	89.3	95.5	99.1
5-day average	38.8	78.7	83.2	82.8	96.2

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 12pc 1995	11.94	6.11	100 15/32 xd	-1/32	107 1/8	100 1/32
Exch 3pc Gas 1990-95	3.03	6.23	98 7/8		103 1/4	97 7/8
10¼pc 1995	10.05	6.77	102 1/32	-1/32	107 3/32	102
Treas 12¾pc 1995‡‡	12.14	6.85	105		113 1/4	105
14pc 1996	13.08	7.02	107 1/8 xd	-1/8	117 1/8	107 1/8
15¼pc 1996‡‡	13.87	7.40	109 7/32	-1/8	121 7/32	109 7/32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Funding 3½pc 1999-4	4.68	7.21	74¾ xd	+1/8	86 1/8	69¾
Conversion 9½pc 2004	8.94	8.54	105 7/8	+1/8	125 1/8	101 7/32
Treas 6¾pc 2004‡‡	7.81	8.45	88 3/32	+1/8	105 7/8	84 3/32
8 ½pc 2005	8.47	8.43	100 3/32	+1/8	100 3/32	97
Conv 9 ½ pc 2005	8.91	8.31	106 3/32	+1/8	125½	102¾
Treas 12½pc 2003-5	10.21	8.61	122 3/32	+1/8	143 1/8	118 3/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 28

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88½	88¾	+1/8	8.46
Alberta Province 7⅞ 98	1000	98⅛	98½		8.20
United Kingdom 7¼ 97	5500	100½	100¾		8.91
Volkswagen Intl Fin 7 03	1000	93⅞	94⅜	-1/8	8.02
World Bank 0 15	2000	20¾	21⅛	+1/8	7.76
Abbey Natl Treasury 8 03 £	1000	92¾	93	+1/8	9.28
Alliance Leics 11⅜ 97 £	100	105¼	105¾	-1/8	8.76
British Land 8⅞ 23 £	150	90½	90¾	+1/2	10.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

SCA buys out share of venture with Scott Paper

By Hugh Carnegy in Stockholm

SCA, the Swedish forestry products group, yesterday moved to bolster its leading position in the world market for adult incontinence products by buying out the balance of a joint venture it set up with Scott Paper of the US.

Mölnlycke, an SCA subsidiary, is to acquire Scott's 50 per cent interest in Scott Health Care, which the two companies set up in 1992.

The price of SKr400m ($43.4m) excludes Mölnlycke's share of cash balances worth about SKr100m.

Scott Health Care, which is based in Philadelphia, has annual sales of more than $100m in the US and Canada for its adult incontinence and wound care products. It is an important part of Mölnlycke's operations in the European and North American adult incontinence markets.

Developments in recent years in the manufacture of "fluff products", or absorbent cellulose materials, have made a big impact in the fiercely competitive market for disposable baby nappies. However, another spin-off has been in similar products for adult incontinents.

Mr Bo Feltner, Mölnlycke's chief executive, said his company had captured about a 20 per cent share of this market worldwide, with annual sales of more than SKr4bn. While total sales of baby nappies are stable in developed countries, sales of adult products are growing by up to 7 per cent a year.

Mölnlycke recently ran into difficulties in the baby nappy sector, where its products, including the brandnames Peaudouce and Libero, have been battling for market share in a price war with the consumer product groups Procter & Gamble and Kimberly Clark.

Earlier this month, it announced a SKr1.3bn rationalisation programme to improve competitiveness and stem reverses which caused a 19 per cent fall in Mölnlycke's operating profit in the first nine months of the year.

Scott Health Care was set up following the enactment of the North American Free Trade Agreement. It merged Mölnlycke's Canadian operations with the adult incontinence operations of Scott Paper, which were previously run under licence from Mölnlycke.

Spanish telecoms licence goes to Airtel

By Tom Burns in Madrid

Airtel-ASR, a consortium backed by AirTouch of the US, British Telecommunications and the domestic banking groups Banco Santander and Banco Central Hispano (BCH), was yesterday awarded a licence to install a second mobile network in competition with Telefónica, the government-controlled telecoms operator.

The licence to develop a GSM (global system of mobile communications) system requires heavy investment but holds out the promise of considerable income from a mature telecoms market that has arrived late to the cellular business.

Under the terms of the award, Airtel undertakes to offer nationwide GSM digital facilities within five years. The installation of the mobile network represents an initial investment cost of at least Pta100bn ($750.9m), on top of the consortium's Pta85bn initial cash bid last month when it entered the contest for the licence.

The government preferred Airtel's bid to the one entered by Cometa-SRM, a consortium backed by Banco Bilbao Vizcaya (BBV) and by Vodafone, the UK cellular telephones group.

Cometa made a higher cash offer, of Pta89bn, but Airtel was understood to have offered better guarantees covering industrial investment, job creation and research and development.

Airtel's prize is a licence, as a second operator, to break into a mobile telephony market forecast to have a turnover of Pta210bn and 2m users by 1998. Telefónica, which already operates an analog cellular telephone network, expects to earn Pta40bn from 400,000 subscribers this year.

– AirTouch has 15.8 per cent of Airtel; BT owns 6.3 per cent and Santander and BCH share 27.4 per cent. Among the other shareholders are five regional savings banks which jointly own a stake of 16.8 per cent.

Comalco studies sale of US unit

By Nikki Tait in Sydney

Comalco, the Australian aluminium producer controlled by the CRA mining group, is considering selling a 100 per cent holding in Commonwealth Aluminium Corporation, its Kentucky-based aluminium products operation, through a public flotation in the US.

The Australian company said yesterday it had filed a prospectus with the US Securities and Exchange Commission, although it stressed it would not make a final decision until February.

In the prospectus, Comalco said it was looking at selling 10m shares, with underwriters' over-allotment options comprising a further 1.5m. The indicated price is US$23.75. Although there is no guarantee that this will be the actual price at which the shares are sold, it indicates a potential stock market valuation for CAC of about $270m.

Comalco acquired the US operations from Martin Marietta, the defence group, almost a decade ago. CAC, which takes in aluminium rolling and recycling facilities in Lewisport, Kentucky, has remained a separate entity within the Comalco group of operations.

According to Comalco's last annual report, CAC made a small loss in 1993, in spite of achieved record production and sales levels, with the latter figure standing at A$607.9m (US$471.9m), up from A$544m in the previous year.

The deficit was blamed on overcapacity in the US rolled products market, and in August this year, Comalco noted that its subsidiary had returned to profit on the back of higher average selling prices and continued volume increases.

Although it said that price increases at that stage had only covered the increases in input metal costs, it suggested that market demand would remain strong. A cold rolling plant upgrade, due for completion in early 1995, should also expand capacity.

● Shares in CRA, which is 49 per cent owned by RTZ of the UK, rose 34 cents to A$18.16 after its Hamersley Iron subsidiary said it had negotiated price rises for iron ore supplied to Japanese steel mills for 1995-96, in the annual round of contract negotiations.

Prices for lump ore will rise by 7.9 per cent to 35.89 US cents per dry long ton unit. The price for fines by 5.8 per cent to 27.15 cents.

Obituary: Pierre Dreyfus

Force for growth at Renault

Pierre Dreyfus, the former chairman of Renault who died on December 25 at the age of 87, was one of France's most influential post-war industrialists and a driving force behind the expansion of the state-owned motor company.

When Dreyfus took charge in 1955, Renault had an annual production of 200,000 vehicles. When he stepped down 20 years later the production lines were delivering 1.4m vehicles a year.

Behind the numbers lay a series of innovative and successful products. The Renault 4, Renault 16 and Renault 5 all left the drawing board during Dreyfus' chairmanship. All achieved significant commercial success, with the Renault 5, of which more than 5m were built, becoming Europe's best-selling car in the early 1980s.

As Mr Louis Schweitzer, Renault's current chairman, put it: "Under Pierre Dreyfus' chairmanship, Renault was to produce a series of models that would count as some of the greatest successes of the European motor industry."

Dreyfus was also behind international expansion in the company's sales. By the time he bequeathed management of the company to his successor Mr Bernard Vernier-Palliez, Renault was deriving half of its turnover from abroad. This was achieved in spite of significant problems in the US in the late 1960s, which ultimately led to Renault's withdrawal from the market.

As well as his industrial achievements at Renault, Dreyfus will be remembered for his development of social policy and trade union relations at the company. Following its nationalisation after the second world war, Renault became a showcase of state ownership and a crucible of social policy. Dreyfus was responsible for many of the achievements in that sphere and for a series of innovations which became widely adopted throughout French industry.

In particular, he introduced in 1955 the first collective bargaining pay agreement at the company. In 1962, he announced the move to four weeks' paid holiday a year.

During his tenure at Renault, the company was commonly referred to as "a shop window" for French industrial policy. At the centre of this description lay the close management consultation with the communist-led union the Confédération Générale du Travail.

The important role held by the unions, however, and the CGT in particular, was to became a substantial obstacle to Renault after Dreyfus' departure. During the late 1970s and 1980s a series of strikes and union opposition to restructuring and efficiency measures were principal factors in the company's decline into the red. Restructuring measures have now been implemented, and Renault has joined the ranks of the world's most profitable motor groups.

Dreyfus' achievements during his tenure at Renault drew the attention of French political leaders and prompted a return to the political arena, where he had started his career as a civil servant in the 1930s. In 1981 he was appointed industry minister in the Socialist government of Mr Pierre Mauroy, the prime minister, and was responsible for implementing the administration's nationalisation programme.

Ironically, given Dreyfus' position as a champion of nationalised industry, his death coincides with Renault's move towards the private sector. A partial privatisation earlier this year is expected to be followed in 1995 by the end of state control.

John Ridding

Bank of NY cements role in ADR sales

By Patrick Harverson in New York

Bank of New York is to buy the American Depositary Receipt (ADR) business of Bank of America, in a deal that cements its position as the leading ADR bank in the US.

ADRs are baskets of shares of foreign companies denominated in dollars and held on deposit at US banks. They make it easy for foreign companies to sell their stock to US investors.

In recent years their popularity has grown, as US investors have bought more foreign shares in an attempt to diversify their portfolios and participate in the rapid growth of many non-US equities markets.

Under the agreement, Bank of New York will buy from Bank of America some 90 ADRs of companies from Germany, Hong Kong, Italy, Japan, Mexico, Singapore and the UK.

Bank of New York currently issues ADRs for more than 800 foreign companies from 44 countries.

Shake-up likely at UK travel group

By David Blackwell in London

First Choice Holidays, the UK travel group, is in talks with German bank Westdeutsche Landesbank, which has an indirect stake, that could lead to boardroom changes.

Among options under consideration are the resignation from the First Choice board of Mr Christopher Rodrigues, chief executive of Thomas Cook, which has a 21 per cent stake in First Choice. He would be replaced by a director from WestLB, which owns 90 per cent of Thomas Cook.

Mr Francis Baron, First Choice chief executive, has made no secret of his desire to strengthen links with WestLB. The latest talks on boardroom changes are seen as a means of developing the liaison.

Thomas Cook bought the stake in First Choice last year, helping it to fight a hostile takeover bid from Airtours, a rival tour operator.

First Choice, known as Owners Abroad until August this year, had hoped the link with Thomas Cook would enable it to make substantial savings through co-operation with LTU, the German travel company 34 per cent-owned by WestLB.

By October, however, relations with the German bank had been soured by a succession of cancelled strategy meetings and the failure of planned joint projects.

Few of the expected benefits of the link between First Choice and LTU had been realised.

It is understood that the "strategic alliance" has failed to win cost savings through shared aircraft maintenance, fuel buying and spares purchasing. Further, it has failed to give First Choice greater muscle in booking holiday accommodation.

The part of the link which has so far proved successful is with the retail side of Thomas Cook, which has delivered a significant amount of business.

However, some industry observers have said the link has hampered First Choice's efforts to sell holidays through other agents.

Pentos puts Athena into receivership

By Raymond Snoddy in London

Pentos, the specialist UK retail group, yesterday forced one of its subsidiaries, the 157-shop posters and greeting cards chain Athena Holdings, into administrative receivership.

Mr Bill McGrath, chief executive of Pentos, decided it was impossible to stem the losses at Athena and took the rare step of withholding further funds.

The directors of Athena Holdings, which in the six months to July 2 lost an estimated £5m ($7.7m) before exceptional items on sales of £16.2m, then called in accountants Grant Thornton as administrative receivers.

"We couldn't give it [Athena] away," said Mr McGrath, who was given the task of restructuring Pentos after the removal of its founding chairman, Mr Terry Maher.

Mr McGrath said the decision to force Athena into receivership was not taken lightly.

He believes it would have taken a further £9m-£12m to take Athena to break-even and that the money would be better invested in Pentos' other businesses, such as Dillons, the booksellers, and Rymans, the stationery group.

Pentos shares yesterday closed 2p lower at 14½p, less than one-tenth of their peak level.

مكرر من الاصل

COMPANY NEWS: UK

Higher orders boost Mackie

By Tim Burt

Shares in Mackie International rose 12p to 214p yesterday after the Belfast-based precision engineering group announced sharply increased orders for its textile machinery and environmental controls equipment.

The company, whose September flotation on the Unlisted Securities Market was hailed as a sign of growing business confidence in Northern Ireland following the IRA ceasefire, said it had won orders worth £9m – almost matching its total first half sales.

Mr Pat Dougan, chief executive and holder of 20 per cent of the equity, said the orders would both boost sales and secure the jobs of the group's 380 workers.

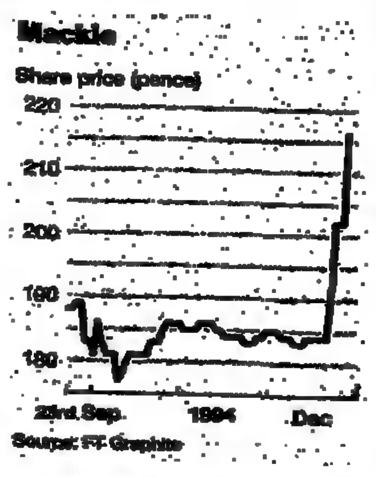
"We will press ahead with an £8m project to install new equipment, which could lead to another 50 jobs," he said.

The announcement was welcomed in west Belfast, the UK's worst unemployment blackspot, where Mackie is the only surviving precision engineering group.

"The company looked as though it was on the way out a few years ago, but it has been turned round successfully," said Mr Joe Hendron, MP for west Belfast.

In the two years to 1991, sales dropped from £30m to £6m before the Northern Ireland Office helped rescue the company and appointed Mr Dougan.

The upturn in orders is expected to push pre-tax profits up to £3.5m on sales of about £30m next year, against forecasts this year of £1.9m profits and turnover of £19m.



James Dickie chief quits

James Dickie, the engineering components manufacturer, yesterday announced the resignation of Mr Hugh Jack, the chairman. He is succeeded by Mr Peter Bullock, a non-executive director.

Mr Jack leaves on a high note: the company last month reported a strong full-year performance for 1994 coupled with a return to a full listing.

That was followed with an announcement that trading in the first quarter of the current year was substantially ahead of the same period last time.

Mr Bullock is also a director of 600 Group and Syltone, and was formerly group chief executive of James Neill, joint managing director of the UK Electrolux Group and managing director of Flymo.

Dominating a niche market

1994 has seen Inspec catapulted into the world league, reports Tim Burt

In a remote corner of Kansas, a small British chemicals company has hit on a formula which has enabled it to defy the twin pressures of raw material price increases and sluggish demand.

While margins have been squeezed for almost every maker of speciality chemicals – used in products such as *washing powder and paint* – Inspec has emerged as an unexpected star of the sector, with a forward price/earnings multiple of 19.5, second only to ICI.

The company, floated at 160p in March this year, has found itself in that enviable position by dominating the market for some highly specialised products that command premium prices.

Its UK operations have been sustained by its role as the leading European supplier of niche products in such areas as synthetic lubricants and ingredients for fragrances. But it is in North America that it has begun to enjoy margins which are the envy of the sector.

Concerned that rivals could try to pick off its customers, Mr John Hollowood, chairman, is coy about the figures.

Sitting in the offices of Allco, *the group's main US subsidiary* near Galena in Kansas, he says obliquely: "At the end of the day, this business makes quite a lot of money. It's been a find in every respect with a large market presence and good margins in a niche market."

All he will admit is that *Allco* – a former explosives manufacturer – has improved its position since this time last year when Inspec paid Lenzing, the Austrian chemicals group, $20m (£12.8m) for the business. It enjoyed operating margins last year of 36 per cent, and industry analysts believe the figure is now closer to 40 per cent.

Its profits – totalling $4m on sales of $11.2m last year – depend on two main products: BTDA, a basic component in fire resistant foams and fibres,

John Hollowood: US buy had been a find in every respect

and PMA, the *intermediate* chemical for use in powder coatings.

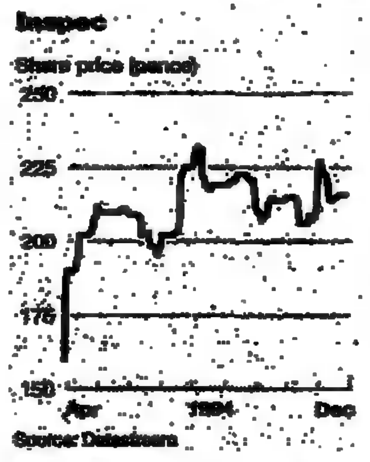
Their share of the world market exceeds 90 per cent, a position which Inspec has exploited by cutting costs and seeking multiple applications. In August, it further enhanced *its US presence by acquiring* Imitech, one of Allco's main customers, for $17.3m.

Imitech is the world's sole maker of polyimide foam – used mostly in insulating naval vessels and aircraft fuselages – and therefore commands gross margins estimated by City analysts at 70 per cent.

Although Inspec still derives most of its profits from its two UK plants – inherited from a buy-out of BP's fine chemicals business – most analysts expect the US arm to play an increasingly important role.

The outperformance of the shares reflects the opinion among investors that Inspec's management got to this position by design rather than luck.

After looking at hundreds of



potential acquisitions, a buy-out team led by Mr Hollowood persuaded BP to sell its well equipped fine chemicals business just when the conglomerate was looking to generate cash; and they then picked up the two US plants from companies keen to *concentrate on core activities.*

By going for margin rather than mass volume, it has also cornered part of the market where other manufacturers apparently consider it too costly or complex to set up rival plants. "There will come a time when we face serious challenges," says Mr Hollowood. "We will have to be defensive about it, even though it would not be easy for a rival to compete."

Inspec says it is now ready to expand its activities in North America and Europe. "We are looking at at least one company a month, and we'd be prepared to spend up to £100m," says Mr Jim Ratcliffe, chief executive.

Although the Imitech deal pushed gearing above 100 per cent, the former Courtaulds executive claims interest cover of 13 times would enable it to use debt for further purchases.

Even with robust interest cover, however, the group's lenders may be reluctant to endorse further large deals while it remains dependent on relatively few customers.

Imitech, in particular, relies *on the US Navy for half its* orders; while there is just one large customer for Allco's PMA: an international chemicals group which uses the ingredient to make epoxy hardeners.

To counter that dependence, the group has extended its UK *manufacturing of hydroxy* monomers, the reactive chemical ingredient used mainly by paint manufacturers, and begun seeking new applications for polyimide foams.

It aims to sell these foams to manufacturers of such products as storage heaters and soft *furnishings, while exploiting* demand for heat resistant insulation from civil aircraft manufacturers.

The company is also investing some £8m to increase output from its UK and US plants, currently running at about 80 per cent capacity. By increasing output and tying new customers into long-term contracts, it should be able to protect its market share and generate enough cash for acquisitions without pushing gearing too much higher.

COMPANY NEWS: UK

Unilever makes Spanish frozen foods purchase

By David Blackwell

Unilever, the Anglo-Dutch consumer products group, yesterday agreed to buy 60 per cent of a Spanish frozen food company from Danone, France's largest food group.

Danone said that Frudesa, a leading frozen vegetable and fish group, did not fit into its strategy of concentrating on ready-to-serve meals.

Neither company would give any financial details of the transaction, although Unilever said the deal would be financed partly from internal funds and partly from loans. It also intends to increase its stake in the future.

Unilever will take full management control of Frudesa, which had sales of £110m this year and employs 1,200 people. The group said the Spanish market offered good growth prospects as Spanish consumption of frozen food was below the European average.

Frudesa was transferred to Danone following the merger of its ready-to-serve food business with that of Saint Louis last spring, creating the third biggest European company in the sector.

Danone has a Spanish ready-to-serve offshoot, Pycasa, which leads the market. Danone is also in the process of acquiring 100 per cent of Gelax, an Italian group specialising in value-added frozen products.

Goldsmiths perks stores sector with strong sales

By Neil Buckley

The post-Christmas round of retailers' trading statements began well yesterday with news from Goldsmiths, the jewellers, of a 19 per cent increase in total sales and a 12 per cent like-for-like rise in the month to December 24.

Shares in Goldsmiths, which has 117 branches in the UK trading under names such as Walker & Hall and Northern Goldsmiths, gained 6p to 133p.

The statement, coupled with reports of a strong start to the post-Christmas sales across the UK, gave a boost to the stores sector, which had fared badly in December amid fears of poor trading.

Goldsmiths said total sales for the 11 months to December 24 were up 13.3 per cent, and like-for-like sales, which exclude new store openings, increased 11.4 per cent.

However, Mr Jurek Piasecki, chairman and chief executive, said he believed the sales increases were due more to improvements in Goldsmiths' business and changes in the jewellery market than to any improvement in consumer confidence.

"I don't think any of it is a reflection of underlying confidence. Things are still very sticky," he said. "People are still concerned that interest rates are going to go through the roof."

Mr Piasecki said Goldsmiths had gained market share through investing in systems and improving its product range, while the number of jewellery outlets in the UK had fallen by more than one third in the past 10 years.

Stanhope still trying to avoid receivers

By Simon London

Stanhope, the property developer headed by Mr Stuart Lipton, yesterday resumed its efforts to avoid receivership six days after its banks decided not to renew its credit facilities.

Last Thursday 16 banks, led by Barclays, voted not to extend further credit and asked for repayment of loans totalling about £148m.

Sources close to the company admitted yesterday that Stanhope had been in limbo since its bank facility expired, but said the company would not call in the receivers while it thought a deal could be struck with the banks.

Rescue proposals from British Land, the property investment company, and from PosTel, the post and telecommunications pension fund, were rejected by the banks last week. However, Stanhope resumed talks with British Land last Friday in an attempt to find a solution.

Wellcome set to make inroads into US market

By Tim Burt

Wellcome, the drugs group, yesterday predicted it would win a larger share of the US market – the world's largest – following approval of two products by the Food and Drug Administration.

The company welcomed the decision to approve Lamictal, its anti-epilepsy treatment, and Navelbine, which it claimed would be the first new cancer drug in the US for 20 years. Both products will be marketed by Burroughs Wellcome, its US arm.

The potential market for Navelbine is estimated at $100m (£64m) a year. Lamictal is expected to win a sizeable share of sales in North America. The world market for such drugs is put at £1bn.

1994: a year of deceleration

Tim Burt on Hickson's 'annus horribilis' and its recovery hopes

Hickson International is stepping up its search for new customers following an *annus horribilis* in which the speciality chemicals company has been hit by soap wars, underperforming subsidiaries and a series of industrial accidents.

Mr Dennis Kerrison, chief executive, will be glad to see the back of 1994: a year that has seen a profits warning and the prospect of an empty plant following Unilever's decision to stop buying manganese catalyst, the controversial ingredient in Persil Power and other detergents.

"We've been hit hard and it could be 1997 before we see sizeable profits growth."

Although he admits that Hickson's reputation has been tarnished by accidents and its failure to deal quickly with operating problems in the US, he singles out one overriding cause for the malaise – damaged laundry.

When Hickson secured the contract for Unilever's new range of dirt-busting detergents, it enjoyed a rampant share price which touched 225p earlier this year. But claims that its manganese "accelerator" left clothes holed and faded helped send it into free-fall.

As the criticism mounted, Hickson started drawing up contingency plans for PharmaChem, the subsidiary which depended solely on the Unilever contract.

At one stage, the shares fell to 106p and industry analysts voiced serious concerns about the company's strategy.

Dennis Kerrison: may be 1997 before any sizeable profits growth

Hickson was forced on to the back foot primarily by Unilever's procrastination. "Unilever was in complete disarray and they kept asking for more time before telling Hickson if they would be taking up their orders," according to one industry insider.

There was, therefore, almost tangible relief at the chemical company's West Yorkshire headquarters when Unilever announced its decision to stop purchasing further supplies of the accelerator. It ended some of the uncertainty over the future of PharmaChem; cleared the way for compensation payments – still under negotiation; and enabled Hickson to pursue new business.

The company was at least prepared for the worst. Even when it was still tied to the Unilever contract, a team was set up to explore alternative uses for CB1, the PharmaChem plant where the accelerator was manufactured.

It has picked up orders from two large pharmaceutical companies, yet to be named, and aims to develop existing businesses with customers such as Merck and Wellcome.

"If we had waited four months before doing anything, we'd be looking at a black hole now. We've avoided that," says Mr Kerrison.

The shares have recovered a little, closing unchanged yesterday at 122p, and City analysts believe there is potential for a long-term revival.

"The company is now looking quite attractive as an investment and, if the management sticks to its aims, the outlook could be reasonably bright," says Mr Martin Evans of Hoare Govett.

Nevertheless, most analysts have cut their profits forecasts from a top range of £28m to between £21m and £23m this year, with no pick up likely in the near future.

Some are also talking of a possible bid for the group which, with its revival prospects and undemanding forward multiple of 13, could prove a worthwhile acquisition for some of its big rivals.

But reviving Hickson will not happen rapidly. New orders for the PharmaChem plant will have little effect on 1995 profits, and the group still faces rebuilding costs of £25m on CB2, PharmaChem's other plant, which was devastated by a fire last year.

Some of its overseas sites may be closed or merged, and raw material price increases have forced a rationalisation costing £4.5m this year.

"We paid the price for developing a product for one big customer who got it wrong in the market place," says Mr Kerrison. "But all the bad news we know of is over. Now we must put something on the bottom line for shareholders."

NEWS DIGEST

Fisons downgraded by IBCA

IBCA, the European rating agency, has downgraded the long term rating of Fisons, the drugs and scientific equipment company, from BBB+ to BBB. The short term rating remains unchanged at A2.

IBCA said that Fisons' profits warnings with the interim results announced in September, came after four years of deteriorating income coverage ratios.

"With only limited cash generated by operations, it is difficult to see where long term support for the large capital and R&D expenditure will come from, although in the short term further disposals could be made," IBCA said.

Stanelco cuts loss

Stanelco, the USM-traded thermal processing equipment group, saw pre-tax losses narrow to £47,000 in the six months to August 31.

The outcome, which compared with losses of £84,000 last time and £160,000 for the full year, came from turnover static at £631,000 and after exceptionals of £1,000 (£15,000).

Directors said that the group's order book stood at £383,000 at the period end, up from £244,000 at the start of the year. It continues to "search actively" for acquisitions.

Losses per share were unchanged at 0.01p.

Nelson Hurst

With effect from January 3 Mr John Percy-Davis has been appointed chief executive of Nelson Hurst, the insurance broker. He will be replaced as joint managing director by Mr Brian Dallamore. Mr David Woodward will remain executive chairman.

NEWS IN BRIEF

ALLDERS INTERNATIONAL has been chosen by Copenhagen Airport to operate its liquor, tobacco, perfume and cosmetics tax free shops. The concession has been awarded for four years from on July 1 1995.

ALLIED DOMECQ is to sell Lyons Patisserie, part of its food manufacturing side, to Sweet 'n' Savoury Frozen Foods of Hartlepool, Cleveland. Lyons produces branded and private label frozen desserts.

BARBOUR INDEX has acquired EHAS Group, a partnership providing a weekly briefing sheet and other services to the health and safety market, for £345,000 cash plus a maximum performance-related payment of £150,000.

CAPITOL GROUP has acquired Michael Nicholas for £316,000 cash. Torquay-based Nicholas is involved in stocktaking and related services to the leisure industry. For the year to March 31 1994, it made pre-tax profits of £17,910 and had net assets at that date of £22,243.

CHRYSALIS has acquired 50 per cent of Bentley Productions, an independent television production company, for £60,000 cash.

CLAYHITHE, the specialist electronics and engineering group, has raised its stake in Serck Controls by 8.33 per cent to 91.67 per cent. The remaining shares are held by Serck's executive directors.

DOEFLEX has bought Berryplas, a Droitwich, Worcestershire-based plastic profile extruder, for £341,000, of which £69,500 is deferred until one year after completion.

EUROMONEY PUBLICATIONS has agreed to acquire certain assets of The Independent Event Company for an initial £110,000 cash and a deferred performance-related cash element, capped at £6m. Euromoney directors estimate, however, that total sum unlikely to exceed £2m.

FARNELL ELECTRONICS has sold its majority stake in Terrafix to Land Navigation Systems. Terrafix, with sales of £500,000 and estimated net assets of £350,000, makes automatic vehicle location systems.

HAMMERSON has acquired the freehold of Stone Road Mall, Guelph, Ontario, Canada, for C$9m (£4.1m). The Tillsonburg Town Centre, also in Ontario, which Hammerson was contracted to purchase, has instead been sold to Centrefund Realty Corporation.

ML HOLDINGS subsidiary, ML Douglas Equipment, has acquired Trailmaster Trailers – in administrative receivership – for £285,000 cash.

PEGASUS GROUP is buying QDC Systems for an initial £400,853 with a deferred payment up to £800,000. QDC, a software manufacturer, had net assets at January 31 1994 of £15,319.

REFLEX GROUP has reached agreement in principle for the buy-out by Mr Aiden Farrell of its non-software businesses. Mr Farrell is resigning as chief executive of Reflex.

SAATCHI & SAATCHI is to purchase the remaining 38.3 per cent stakes in Grupo BSB and BSB Especializadas, its two Spanish subsidiaries. Total consideration capped at Pta2bn (£9.7m).

STEEL BURRILL Jones has agreed to acquire a controlling interest in Intermar for an initial £1.1m cash. Further consideration, either cash or shares, is capped at £3.4m.

USBORNE: Rights issue acceptances received in respect of 13.83m new ordinary shares (56.5 per cent). The balance will be subscribed for by Thompson Investments, the underwriter, whose stake will rise from 50.1 per cent to 74.9 per cent.

CONTRACTS & TENDERS

PERSONAL

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie rallies but fails to conquer 3,100 barrier

By Peter John

A strong overnight push from the New York market helped London to maintain its recent rally and move smartly higher yesterday. However, London's early 26-point rise was achieved on slight volume and reflected technical factors rather than fundamental confidence.

There was little in the way of solid news to latch on to, and profit-taking later in the day saw the FT-SE 100 index of leading stocks end the day only 12.4 up at 3,095.8 while the mid-250 index closed 18.8 higher at 3,506.1.

Business was dominated by activity in the US. Wall Street had ended its Tuesday trading session 28 points higher making a gain of around 50 points since the London market last closed. That gave a lead to the UK equity futures dealers who raised the price for the FT-SE 100 contract expiring in March to 3,143, a jump of 160 points since the December contract expired a fortnight ago.

It was only a matter of time before underlying equities followed suit and after opening 6 points higher, the FT-SE 100 moved forward to break through 3,100.

There was an element of 'year end rally' in the rise but the bulk of the upturn was traced back to some relatively weak housing data in the US, which were interpreted as a sign that the recent rate rise there had taken effect.

The figures gave a lift to US Treasuries and, subsequently, gilts notched up a quarter-point rise among longer dated maturities. Strength in the bond markets spilled over into equities and at its peak the FT-SE 100 was up at 3,109.7.

There was broad confidence that yesterday's meeting between the chancellor and the governor of the Bank of England would not lead to an interest rate rise but fundamental support in the UK was, effectively, non-existent. The Treasury's latest monthly report showing that inflationary pressures were subdued contained no significant new information. And though the panel of independent forecasters had reduced forecasts of inflation in 1995 to 2.9 per cent from 3.2 per cent, the beneficial aspects of low inflationary expectations were countered by an Institute of Directors survey showing decreasing confidence among business leaders.

A strong D-Mark made sterling look slightly more attractive but not enough to enthuse placid fund managers who had carried out most of their end-year adjustments by last week.

Then, in the afternoon, the Dow was hit by profit-taking and the Footsie lost ground accordingly.

In fact, post Christmas torpor was arguably the most significant element of the day and the gains were not reflected by a frenzy of activity. By mid morning only 70m shares had changed hands and the closing total was a paltry 269.6m with 153.4m of that figure accounting for non-Footsie issues.

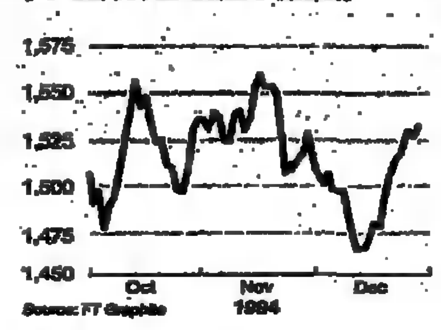
The figure compared with total turnover on Friday – the last trading day before Christmas and traditionally one of the quietest days of the year – of 577.4m shares. Then the value of genuine customer business was £754.1m which was around half that of recent levels.

Mr Ian Harnett, economist with SGST said: "If we had held the 26-point gain we might have seen some follow through buying but, as it is, I can't envisage much activity. People have already positioned themselves for the next long break."

Dealers said that despite some buying from the hedge funds in the futures market, retail business was virtually at a standstill. There was some interest in the financial sectors and Lloyds Bank shares were sold on nervousness over its involvement in Mexico.

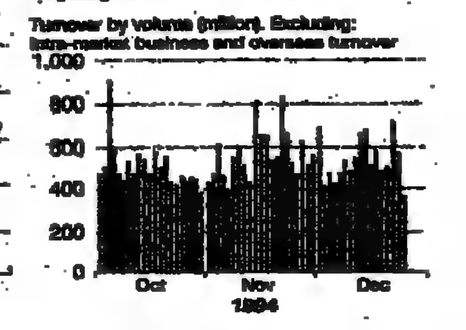
Elsewhere, Euro Disney regained some of its value after the group announced that attendances in the quarter to December had shown a big rise from a year earlier.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3095.8	+12.4	FT Ordinary Index	2381.0	+11.7
FT-SE Mid 250	3506.1	+18.8	FT-SE-A Non Fins p/e	18.20	(18.11)
FT-SE-A 350	1549.4	+6.7	FT-SE 100 Fut Mar	3118.0	+5.0
FT-SE-A All-Share	1532.64	+6.27	10 yr Gilt yield	8.55	(8.57)
FT-SE-A All-Share yield	3.99	(4.01)	Long gilt/equity yld ratio:	2.16	(2.15)

Best performing sectors		Worst performing sectors	
1 Water	+1.6	1 Tobacco	-0.7
2 Electricity	+1.6	2 Pharmaceuticals	-0.6
3 Gas Distribution	+1.4	3 Household Goods	-0.4
4 Retailers, Food	+1.3	4 Banks	-0.3
5 Utilities	+1.3	5 Chemicals	-0.3

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved ahead strongly from the outset with the FT-SE 100 March contract touching 3,143 at one stage during the morning session, but activity remained seasonally low and investor enthusiasm drained away noticeably during the final few hours of trading, *writes Jeffrey Brown.*

At the close of pit trading the March contract was 3,118, up 5 points on last Friday's close but 25 points under the best of the day. The premium to the cash market was 21 points while fair value ranged from 16 points to 20 points, according to estimates.

Most activity was concentrated into the first hour of trading with dealers reporting good buying from the moment the market opened in the wake of Wall Street's overnight gains. But later in the day as US markets weakened sentiment came off the top. Goldman Sachs was said have been a relatively heavy seller during the afternoon session. The day's contracts totalled just under 3,000.

Stock option activity was also weak with 16,821 lots dealt. Puts comfortably exceeding puts. FT-SE and Euro FT-SE activity accounted for more than 11,500 lots.

Business among individual options was thin with Cable and Wireless the most actively traded stock, notching up 785 lots. Tesco, HSBC and Wellcome all managed to exceed 500 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3130.0	3118.0	+5.0	3143.0	3117.0	5105	55301
Jun		3130.0	+5.0			0	2925

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3520.0	+5.0			0	3925

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3506.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3098) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 1,905 Puts 3,351 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3350	3400	3450	3500	3550	3600	3650	3700
Jan								

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Dec 28	Day's chge%	Dec 23	Dec 22	Dec 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3095.8	+0.4	3083.4	3091.7	3070.4	3462.0	4.16	7.17	16.47	129.60	1181.86
FT-SE Mid 250	3506.1	+0.5	3487.3	3485.9	3466.6	3807.0	3.60	6.13	19.50	140.20	1321.00
FT-SE Mid 250 ex Inv Trusts	3509.0	+0.6	3488.9	3487.3	3467.6	3792.4	3.75	6.68	18.15	146.79	1320.20
FT-SE-A 350	1549.4	+0.4	1542.7	1545.7	1535.6	1721.5	4.08	6.98	17.08	64.22	1210.49
FT-SE SmallCap	1747.39	+0.1	1745.81	1744.27	1740.00	1858.61	3.48	5.02	25.28	57.23	1365.81
FT-SE SmallCap ex Inv Trusts	1716.67	+0.1	1714.96	1713.12	1709.10	1806.23	3.70	5.58	23.13	59.40	1346.34
FT-SE-A ALL-SHARE	1532.64	+0.4	1526.37	1529.09	1519.48	1698.72	3.99	6.80	17.48	62.64	1217.73

■ FT-SE Actuaries All-Share

	Dec 28	Day's chge%	Dec 23	Dec 22	Dec 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2704.56	+0.6	2688.90	2699.91	2683.27	2567.91	3.52	5.06	25.00	89.83	1091.88
12 Extractive Industries(4)	3790.58	+0.7	3764.72	3768.68	3747.01	3729.37	3.39	5.41	22.85	98.62	1045.98
15 Oil, Integrated(3)	2682.08	+0.8	2658.58	2681.02	2663.33	2514.40	3.68	5.60	22.23	96.44	1107.59
18 Oil Exploration & Prod(11)	1871.70	+0.3	1865.18	1861.45	1854.69	1793.52	2.82	‡	‡	38.08	1082.93
20 GEN MANUFACTURERS(266)	1840.65	+0.4	1833.90	1831.87	1817.51	2039.05	4.24	5.72	20.92	77.94	946.87
21 Building & Construction(33)	988.09	+0.5	983.61	982.25	978.14	1293.00	3.96	5.90	22.39	38.05	780.18
22 Building Matls & Merchs(32)	1795.53	+0.6	1785.15	1788.31	1770.45	2225.24	4.17	5.73	21.04	75.50	854.53
23 Chemicals(23)	2280.44	-0.3	2286.98	2291.42	2268.23	2327.98	4.14	4.73	26.24	95.25	1018.91
24 Diversified Industrials(16)	1762.46	+0.5	1753.82	1743.48	1727.06	2059.70	5.31	6.54	17.85	94.34	912.57
25 Electronic & Elect Equip(33)	1858.24	-0.1	1858.88	1860.19	1846.53	2109.22	4.14	6.84	17.42	78.35	917.22
26 Engineering(71)	1797.53	+0.6	1787.32	1787.23	1774.53	1799.22	3.36	5.59	21.37	61.00	1036.17
27 Engineering, Vehicles(12)	2182.41	+0.8	2164.82	2162.22	2161.52	2155.30	4.59	1.57	80.00†	94.31	1068.32
28 Printing, Paper & Pckg(26)	2750.40	+0.7	2731.45	2730.73	2711.28	2621.80	3.19	5.67	20.50	87.38	1088.86
29 Textiles & Apparel(20)	1508.88	+0.1	1506.61	1511.22	1502.82	1817.01	4.47	6.56	19.78	66.26	883.77
30 CONSUMER GOODS(90)	2813.68	-0.1	2817.74	2828.58	2822.77	3040.63	4.31	7.25	16.03	122.01	977.83
31 Breweries(17)	2207.84	+0.1	2205.84	2211.39	2200.94	2327.00	4.36	8.17	14.78	98.09	1005.88
32 Spirits, Wines & Ciders(10)	2758.32	+0.6	2742.84	2751.72	2737.07	3127.58	4.14	6.89	16.75	113.59	932.72
33 Food Manufacturers(24)	2328.52	+0.2	[illegible]	2325.97	2299.29	2475.48	4.27	7.59	15.59	104.08	990.70
34 Household Goods(13)	2386.99	-0.4	2396.34	2396.64	2378.09	2866.10	3.83	7.56	15.95	90.83	864.73
36 Health Care(21)	1559.99	——	1560.51	1558.47	1554.84	1779.47	3.24	3.58	40.00	51.92	910.98
37 Pharmaceuticals(12)	3289.33	-0.6	3308.62	3341.27	3355.89	3280.98	4.10	6.54	17.67	133.07	1055.18
38 Tobacco(2)	3690.19	-0.7	3714.46	3691.45	3700.05	4739.83	5.82	9.98	11.05	217.07	841.76
40 SERVICES(218)	1893.69	+0.7	1881.30	1883.85	1888.11	2106.27	3.32	6.75	17.84	65.47	938.55
41 Distributors(30)	2504.96	——	2504.66	2507.21	2506.39	2996.92	3.85	7.38	16.03	93.56	875.32
42 Leisure & Hotels(25)	2120.51	+0.6	2108.74	2109.66	2090.63	2104.95	3.36	5.23	22.36	63.90	1051.56
43 Media(30)	2815.91	+0.3	2807.02	2818.97	2799.14	2984.99	2.51	5.43	21.50	71.49	980.49
44 Retailers, Food(16)	1759.26	+1.3	1735.95	1736.10	1713.71	1759.04	3.74	9.06	13.54	65.24	1061.70
45 Retailers, General(46)	1581.66	+0.9	1568.15	1570.37	1554.11	1934.24	3.37	7.39	16.98	69.39	860.85
48 Support Services(41)	1463.02	+0.1	1461.87	1460.22	1451.84	1684.61	2.94	6.71	17.58	42.89	896.08
49 Transport(16)	2216.79	+0.6	2203.22	2205.43	2194.61	2614.70	3.84	6.29	18.72	72.24	875.57
51 Other Services & Business(6)	1246.08	-0.1	1246.84	1242.91	1247.41	1183.97	3.58	3.88	35.89	38.11	1081.17
60 UTILITIES(37)	2440.74	+1.3	2410.56	2413.21	2391.49	2741.80	4.39	7.84	15.94	120.13	958.83
62 Electricity(17)	2587.49	+1.6	2547.34	2540.71	2516.50	2598.10	3.77	9.68	12.35	134.52	1098.50
64 Gas Distribution(2)	2081.16	+1.4	2052.13	2066.37	2032.81	2279.32	5.76	‡	‡	119.82	977.50
66 Telecommunications(5)	1999.71	+0.8	1983.26	1987.65	1979.46	2461.20	4.08	7.47	16.37	83.93	867.88
68 Water(13)	1839.34	+1.6	1809.77	1808.38	1782.12	2093.34	5.45	13.36	8.14	100.02	995.62
69 NON-FINANCIALS(639)	1657.04	+0.5	1648.88	1651.53	1640.62	1803.00	3.98	6.59	18.20	67.74	1183.56
70 FINANCIALS(108)	2170.70	——	2170.01	2176.78	2165.55	2625.98	4.44	9.00	12.89	96.49	866.89
71 Banks(10)	2884.03	-0.3	2893.02	2911.08	2893.26	3474.04	4.21	9.86	11.59	120.90	888.51
73 Insurance(17)	1171.47	+0.9	1161.14	1165.35	1174.60	1528.46	5.46	10.42	10.94	63.13	810.02
74 Life Assurance(6)	2380.52	+0.8	2362.47	2366.64	2362.72	2729.61	5.37	7.83	15.58	127.82	921.29
75 Merchant Banks(6)	2972.17	+0.6	2953.25	2953.07	2941.13	3449.04	3.50	9.35	12.44	103.78	902.71
77 Other Financial(26)	1845.55	——	1846.29	1845.31	1826.86	1925.81	4.05	8.36	14.38	76.75	997.02
79 Property(43)	1420.92	——	1420.88	1409.74	1388.11	1803.81	4.28	4.56	27.39	61.43	824.47
80 INVESTMENT TRUSTS(124)	2702.31	+0.2	2697.87	2697.29	2686.41	3039.73	2.36	1.97	50.89	56.00	913.04
89 FT-SE-A ALL-SHARE(871)	1532.64	+0.4	1526.37	1529.09	1519.48	1698.72	3.99	6.80	17.48	62.64	1217.73

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3089.5	3105.6	3108.6	3108.8	3109.0	3108.7	3104.6	3100.8	3098.0	3109.7	3089.5
FT-SE Mid 250	3490.5	3497.5	3499.7	3503.2	3505.1	3505.3	3505.9	3507.1	3506.6	3507.2	3490.5
FT-SE-A 350	1545.3	1552.3	1553.6	1554.0	1554.4	1554.2	1552.7	1551.4	1550.3	1554.5	1545.3

Time of FT-SE 100 Day's high: 11.20am Day's low: 8.30am. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Constrn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+4.0
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	174	335	+1
ASDA Group†	6,800	65½	+½
Abbey National†	1,400	432½	-9½
Albert Fisher	8,500	46	+1
Allied Domecq†	958	544	
Anglian Water	210	518	+8
Argos	102	351	+2
Argyll Group†	2,400	257	+5
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

Mexican worries hit Lloyds

Bank shares were a clear feature with Lloyds, hit by peso weakness, standing out against the general upward trend among the clearers.

Out of step with the rest of the clearing banks in what looks to be the traditional rally ahead of the 1994 results season, Lloyds shed 8 to 558p in 2.8m turnover as the problems of the Mexican economy and currency continued to hog the financial headlines.

Lloyds' connection with Mexico is not easy to define but among the UK banks it is easily the most exposed to peso concern. Around a fifth of pre-tax profits arise in Latin America, and the bank has sizeable Brazilian associate, Banco Multiplic. However, speculation that the US government may intervene in support of the peso underpinned the feeling among analysts that the market had over-reacted.

In marked contrast, Barclays and NatWest added a penny to 615p and 516½p respectively while Royal Bank of Scotland advanced 6 to 401p and Bank of Scotland gained 4 to 214p.

Among merchant banks, S.G.Warburg came in for a renewed spurt on the back of a reviving takeover speculation, closing 9 higher at 692½p, having touched 700½p at one stage during the day.

Technical trading was cited as the main reason for the advance in theme park operator Euro Disney, which jumped 18 to 141p, to make it one of the day's biggest gains in percentage terms, as traders reporting a short position in the stock.

A hefty 3.8m was dealt in the shares in Paris where it is also quoted. Dealers attributed the demand in France to comments by the chairman, Mr Philippe Bourgignon, who said figures for the first quarter to December showed a "significant" rise on a year earlier.

Mr Nigel Reed, a close observer of Euro Disney suggested the rise was around 2.5 per cent and predicted a 12.5 per cent increase for the year to September 1995. However, he reiterated his negative stance on the stock saying, "We believe this stock is still considerably overvalued."

The post Christmas bounce for crude prices duly washed over into oil stocks – but only just. BP was the most active counter with the shares up a penny at 431p in 4m turnover while Shell gained 7 to 703½p and Burmah added 6 to 804½p. Brent Blend climbed back above $16 in London yesterday in response to Tuesday's rally for crude prices in New York. But dealers said there was still no shortage of bearish stock levels stories in the sector, courtesy of the continuing run of unseasonally mild European weather.

Strong selling of pharmaceuticals issues in New York on general profit-taking reversed the early gains in London seen in the first half of the session.

Wellcome was in demand early in the day. Its US subsidiary has received approval from the US Food and Drug Administration to market Lamictal, an anti-epileptic drug and Navelbine, which is used in the treatment of advanced lung cancer. The shares initially firmed 2 before retreating to finish 2 down at 703p, on the US selling. Glaxo relinquished 9 to 664p, while SmithKline "A" was unchanged at 466p. The same selling also weakened ICI which left the shares trailing 7 at 763p.

Hopes of further bids among the regional electricity companies continued to drive several stocks in the sector sharply forward. South West added 9 to 874p, while Yorkshire jumped 18 to 707p. Seeboard was also in demand and the shares finished 15 ahead at 477p. Bid target Northern appreciated 4 to 1010p, and its bidder Trafalgar House edged a penny forward to 75p, in good business of 7.2m.

Optimism over trading during the festive season brought a cheer to several retailing stocks. Boots put on 9 to 506p while Body Shop improved 9 to 191p. Marks & Spencer was 3 better at 398p. Electrical goods retailer Dixons hardened 4 to 192p.

Telecommunications stocks continued to attract attention with both BT and Cable and Wireless gained ground in what for the first working day after the Christmas break was healthy volume. BT rose to 2½ to 384½p and C&W put on 5 to 390p with the two shares combined turnover topping 5m.

Mobile phones group Vodafone put on 3½ to 211p on hopes that the all-important December quarter new subscriber figures (due next week) will make bullish reading.

MARKET REPORTERS:
Peter John,
Joel Kibazo

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (40).

BREWERIES (1) Wetherspoon (J.D), BLDG MATLS & MCHTS (1) Eclipse Blinds, CHEMICALS (1) Cambridge Isotope Labs., DISTRIBUTORS (2) African Lakes, Faber Prest, DIVERSIFIED INDLS (1) Whitecroft, ELECTRICITY (1) Norweb, ELECTRNC & ELECT EQUIP (3) Hewlett-Packard, Nokia Corp Prf., Telspec, ENGINEERING (2) Kelsey Inds., Mackie Intl., EXTRACTIVE INDS (1) Kenor, FOOD MANUF (2) Carr's Milling, Greencore, INSURANCE (1) American Intl., INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (2) LIFE ASSURANCE (1) Liberty Life Assoc. of Africa, MEDIA (2) Elsevier, Metal Bulletin, OIL EXPLORATION & PROD (1) Cassador, OTHER FINANCIAL (1) London Scottish, PHARMACEUTICALS (3) Hafslund Nycomed A, Lilly (Eli), SmithKline Beecham Equity Units, PROPERTY (1) Carlisle Group, RETAILERS, GENERAL (1) Stylo, SUPPORT SERVS (3) Business Post, Computer People, TRANSPORT (1) Badgerline, AMERICANS (3).

NEW LOWS (30).

GILTS (4) BREWERIES (1) Vaux, BUILDING & CNSTRN (1) Bloe, BLDG MATLS & MCHTS (1) Heath (S), ENGINEERING (1) Dobson Park, EXTRACTIVE INDS (2) Straits Res., Walhala, FOOD MANUF (1) Canadian Pizza, HEALTH CARE (1) Specialeyes, INVESTMENT TRUSTS (14) LEISURE & HOTELS (1) Barr & WAT A, OIL EXPLORATION & PROD (1) Schlumberger, OTHER FINANCIAL (1) Hambro Ins. Service, RETAILERS, GENERAL (3) Body Shop Intl., House of Fraser, Rosebys, TEXTILES & APPAREL (1) Alexandra Workwear, TRANSPORT 1) LOFs, AMERICANS (1).

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul	Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Allied Domecq	500	46	59	67½	-	5½	11	Hanson	220	18	[illegible]	[illegible]	1½	5½	8½
(*544)	550	7½	26	37	12½	22	30	(*234)	240	5½	10	13½	8½	14½	18½
[illegible]															

* Underlying security price. Premiums shown are based on closing offer prices. December 28 Total contracts: 16,484 Calls: 7,235 Puts: 9,249

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	47	11	12
Other Fixed Interest	0	0	14
Mineral Extraction	72	36	98
General Manufacturers	168	50	410
Consumer Goods	49	25	111
Services	105	32	353
Utilities	31	2	10
Financials	109	53	204
Investment Trusts	78	43	341
Others	50	28	45
Totals	709	280	1598

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	December 19	Expiry	March 23
Last Dealings	January 6	Settlement	April 6

Calls: Babcock, Corporate Services. Puts: Corporate Services, Pentos.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.89	98	90½	Asset Man Inv	97		-	-	-	-
-	F.P.	4,416.3	259	255	BSkyB	257½		N-	-	-	48.5
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
190	Nil	25/1	37pm	16pm	Cowie	37pm	+3
100	Nil	25/1	27pm	16pm	Division Grp	17pm	
120	Nil	6/1	18pm	15pm	Inspirations	16pm	
53	Nil	31/1	1½pm	¼pm	M/Y	¼pm	
37	Nil	3/1	5pm	2pm	OMI	2pm	
12	Nil	3/1	1½pm	¼pm	Saltire	¼pm	
10	Nil	9/1	½pm	½pm	Tomorrows Leis	½pm	
7½	Nil	3/2	1½pm	½pm	Verity	1pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	11pm	

FINANCIAL TIMES EQUITY INDICES

	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20	Yr ago	*High	*Low
Ordinary Share	2381.0	2369.3	2374.4	2355.7	2349.9	2598.7	2713.6	2240.6
Ord. div. yield	4.39	4.41	4.40	4.43	4.44	3.58	4.61	3.43
Earn. yld. % full	6.43	6.46	6.45	6.49	6.51	4.06	6.75	3.82
P/E ratio net	17.95	17.88	17.86	17.74	17.68	31.10	33.43	16.94
P/E ratio nil	17.39	17.32	17.38	17.26	17.20	28.83	30.80	16.67

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2373.1	2386.3	2387.2	2387.5	2389.6	2388.7	2385.4	2383.8	2382.9	2389.5	2373.0

	Dec 28	Dec 23	Dec 22	Dec 21	Dec 20	Yr ago
SEAQ bargains	12,414	11,861	19,581	18,748	20,673	29,336
Equity turnover (£m)†	-	754.1	1316.2	1624.8	1305.8	1049.0
Equity bargains†	-	17,332	25,960	31,037	25,871	30,926
Shares traded (ml)†	-	359.6	581.0	722.5	518.9	380.9

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Dec 27	% chg on day	Dec 23	Dec 22	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index(34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1782.02
■ Regional indices								
Africa (16)	3107.35	-0.3	3115.67	[illegible]	[illegible]	[illegible]	[illegible]	2304.45
Australasia (7)	2231.80	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2171.66
North America (11)	1482.72	-0.1	1481.38	1481.91	[illegible]	[illegible]	[illegible]	1417.00

Copyright, The Financial Times Limited 1994. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Dec 28: 238.4 ; day's change: +0.7 points; Year ago: 250.4 † Partial. Latest prices were unavailable for this edition. Markets closed 27/12/94: Australia and Canada.

COMMODITIES AND AGRICULTURE

MARKET REPORT

Strong copper contract leads base metals higher

London Metal Exchange contracts yesterday reacted positively to a strong copper market and pushed higher throughout the day.

COPPER's three months delivery position got to within $3 of the $3,000-a-tonne barrier at one stage. Traders said trading conditions were comparatively thin and would probably remain so until the new year.

"It does appear to be very thin on the floor," said one. "The markets are looking bullish for next year, so people do not want to be caught short."

The three months price eventually finished the after hours "kerb" session at $2,994 a tonne, up $29 from the pre-Christmas level.

The ALUMINIUM market was encouraged by the trend in copper and once resistance above $1,950 a tonne was cleared prices were able to build on last week's gains. Final business for three months delivery was at $1,978 a tonne, the session high, up $35 gain from last Friday. Traders thought a run-up towards $2,000 was feasible as current thin conditions tended to exaggerate price moves.

The NICKEL market also moved sharply higher, again in light conditions, as chart-based speculative buying lifted prices through intermediate resistance levels.

At the London bullion market light two-way interest kept the GOLD price within a narrow range of around 50 cents a troy ounce and traders expected the market to continue in the same vein for the rest of the week unless something out of the ordinary emerges.

"I don't think much will happen on the precious metals this week. . . it's just a case of keeping an eye on Comex [the New York Commodity Exchange] because you can never tell whether they will come up with something new," one dealer said.

COFFEE futures at the London Commodity Exchange ended a quiet session just off the day's highs, mainly on buying linked to year-end book-squaring, traders said.

"It's a pretty normal thin volume day. There's a lot of disinterest," said one trader as the March delivery contract closed $53 higher at $2,848 a tonne.

Nearby positions in the COCOA market fell back as fears of supply tightness eased following news that a substantial amount of beans had been graded for delivery since Friday. The December contract was £25 down at £978 a tonne while March was down £8 at £985.

Compiled from Reuters

Russia 'to scrap oil export quotas from January 1'

The Russian government will scrap oil export quotas soon and oblige producers to supply up to 65 per cent of their crude oil output to domestic refineries in the first quarter of next year, Interfax news agency said, reports Reuters from Moscow.

It quoted Mr Andrei Dogayev, deputy foreign economic relations minister, as saying that a resolution, due to take effect on January 1, had already been "definitively agreed".

Mr Dogayev said that crude oil and refined oil product exports would continue to be regulated by tariffs and other methods.

The system of "special exporters", under which all oil exports must go through a limited number of approved companies, would be maintained, he said, adding that 14 companies currently had the right to export crude oil.

The World Bank and the International Monetary Fund have opposed the special exporter system and compulsory supplies to domestic consumers, linking further credits to Russia to liberalisation of the oil export system.

Mr Dogayev doubted that the lifting of oil export quotas would lead to a significant increase in exports at the expense of the domestic market. He said that exports would be limited by demand factors and the capacity of oil export pipelines.

Russian oil pipelines are reported to have been pumping at close to capacity this year to the main export ports of Novorossiisk and Ventspils.

There is some unused capacity on the Druzhba pipeline route to eastern Europe, but slumping demand there has curtailed deliveries in this direction.

Last year's crude exports outside the former Soviet Union were about 80m tonnes and officials say this year's figure will be more than 85m tonnes.

Mr Boris Yeltsin, Russian president, issued a decree in May abolishing export quotas and licences from July. But he postponed putting the move into effect until January amid widespread concern that producers would rush to export and leave domestic enterprises without fuel. Domestic crude oil prices are less than a third of world market levels.

'China must calm fears of mining investors'

By Kenneth Gooding, Mining Correspondent

China's mining and metals sector requires $44bn of capital in the years to 2000, according to the Chinese authorities, but other countries in Asia, in Latin America and the Commonwealth of Independent States are also competing hard for funds.

So China's chances of obtaining the necessary money "will depend as much on its ability to calm lender and investor worries as on the viability of any particular project", suggests the MetalsFinance newsletter.

Foreign investors will be particularly concerned about details of the regulatory climate in China, the rate of return allowed on investments and stability in economic and industrial policy, it points out.

The Chinese authorities say that $30bn is required for "capital construction" in the mining and metals sector and another $14bn is needed for "technical improvements". MetalsFinance suggests China will increasingly seek innovative funding sources, particularly structured financing packages, which, at their simplest, involve the forward sale of future metal production to a finance house in return for pre-production funds.

Foreign investment in China is expected by the newsletter to maintain its concentration in the base metals sector, with copper and aluminium given top priority, "although the list of prospective investors in the gold mining sector is growing. The influence of Asian investors in the country's metals and steel sector is also expected to grow over time, leading to greater regional integration," the newsletter adds.

MetalsFinance, £500 or $850 a year from Metal Bulletin Journals, 16 Lower Marsh, London SE1 7RJ, UK.

India's jute industry heads up-market

Kunal Bose on efforts to add more value to the hard fibre and to find new outlets

India's jute industry is set to climb on the bandwagon of growing exports of denim to the US and Europe. Soon, much of the coloured twilled cotton material shipped from India will be blended with the hard fibre, taking it up-market from traditional applications such as sacking and carpet-backing.

The incentive for using jute in denim is that it is by far the cheapest of all natural and man-made fibres.

Funded jointly by the United Nations Development Programme and the Indian federal government, the Ahmedabad Textile Industries Research Association, in collaboration with the country's biggest manufacturer and exporter of denim, has perfected the technology to blend cotton and jute. Denim, according to industry officials, can take a jute content of up to 15 per cent without in any way compromising the quality of the fabric.

While cotton/jute blended denim awaits commercial marketing, apparel fabrics using a higher percentage of jute than in denim have been finding favour with the garment manufacturers both inside and outside the country. Mr D.J. Wadhwa, managing director of Champdany Jute, which is in the forefront of the diversification campaign, said recently that following "the extension of multi-fibre policy to jute and the launch of the $23m UNDP programme for the jute sector with a matching grant from the federal government, the Indian jute and textile research laboratories have established that jute blends well with cotton, silk, wool, flax, viscose and polypropylene.

"What is equally significant is that the knowledge has been transferred to jute and textile mills from the laboratory."

'A shift of 20 per cent of the industry's product mix in favour of value-added products will result in an increase of 23 per cent in sales turnover'

After more than a century of producing sacks and heavy hessian fabrics, the Indian jute industry was not easily persuaded to embrace new techniques and products. Mr Bimal Pande, the country's jute commissioner, admits that "it is only recently that the industry has started thinking positively about making new value-added jute products. Of the 73 jute mills, not more than 12 are making non-traditional products. What is, however, encouraging is that the entrepreneurs from all over the country have started showing a keen interest in making a variety of things using jute yarns and fabrics."

Until about five years ago non-traditional products accounted for just 2 per cent of India's jute goods output. Aided mainly by strong demand growth for export grade yarn (considered a non-traditional item), the share of value-added products in the industry's total production is now about 7 per cent.

The rewards of further change could be great. While traditional items like sacking bags fetch around Rs15,000 ($510) a tonne and hessian cloth about Rs20,000 a tonne, the new jute products have price tags ranging from Rs25,000 to Rs100,000 a tonne.

According to Mr Pande: "A shift of 20 per cent of the industry's product mix in favour of value-added products will result in an increase of 23 per cent in sales turnover. But there are some products like blended yarn where the realisation is five to six times higher than the traditional products. I am expecting that by the turn of the century, the share of value-added products in the industry's total production will be at least 20 per cent."

The balance sheets of jute mill companies like Champdany, Cheviot, Delta, Ludlow and Birla Jute, which have undertaken product diversification in earnest will show that the "profit margins in value added products are quite attractive", says Mr Wadhwa.

Already, seeing the benefits accruing to these companies while facing growing competition from synthetics, paper and bulk-handling systems in jute's traditional stronghold in the packaging sector, other jute mills are seriously thinking of product diversification.

The government, meanwhile, is sending out clear signals to the industry. In the country's new liberalised business environment it cannot insist that cement and fertiliser producers should use jute packaging; but it allows the duty-free import of second-hand machinery and equipment for making value-added jute products. The exporters of such products are also given a 10 per cent cash "assistance" on the export value.

With jute spinning mills in Europe having virtually gone out of production because of rising labour costs, plenty of second-hand machines are available, and at bargain-basement prices, according to Mr Wadhwa who has created a number of spinning units in West Bengal and Orissa with such machines. Other Indian jute mill companies have done the same.

Jute yarn is considered the cheapest and best weft yarn for making machine woven carpets. Of all the value-added items, jute yarn shows most promise. However, India, a late entrant in the field, is a distant third to Bangladesh and Thailand in the export of yarn. India's export of yarn totalled 40,623 tonnes in 1993-94.

Industry officials estimate that world trade in jute yarn will exceed 250,000 tonnes in 1995, compared with the present level of around 200,000 tonnes.

A couple of factories equipped with imported second-hand machinery have been producing jute and jute-blended pile carpets for the domestic and export market. The installation of high-speed Sulzer and Dornier looms in jute mills, with suitable modifications, has allowed the production of light jute and jute-blended fabrics. These blended fabrics are used to make soft luggage and shoe uppers.

A breakthrough in the dyeing and finishing of jute and the removal of hairiness of jute fibre will make the new jute products more popular, says Mr Pande. Jute is also being used to make non-textile products such as jute particle board, a substitute for wood, high-quality paper and door panels for automobiles.

As India does not grow enough high-quality fibre, the production of many of the textile grade jute items has become dependent on the import of raw jute. The annual requirement for superior grades of jute (TD-1 to TD-3) will be 1.8m bales of 180kg each, by 1996, compared with present domestic supply of about 600,000 bales. An urgent priority for the UNDP-funded project, therefore, is to raise the country's output of high-quality jute.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1985.5-6.5	1985-6
Previous	1915-6	1943.5-4
High/low	1920	1973/1935
AM Official	1920-0.5	1950.5-1
Kerb close		1972-3
Open int.	241,514	
Total daily turnover	31,267	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1860-70	1903-5
Previous	1830-40	1870-5
High/low		1900/1895
AM Official	1850-60	1895-900
Kerb close		1900-10
Open int.	2,589	
Total daily turnover	574	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	643.5-4.5	662-3
Previous	639.5-40	658-8.5
High/low	643/642	670/660
AM Official	641-2	660-1
Kerb close		669-70
Open int.	42,752	
Total daily turnover	8,645	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8735-45	8890-900
Previous	8480-90	8635-40
High/low	8560	8900/8600
AM Official	8560-70	8735-40
Kerb close		8875-85
Open int.	60,362	
Total daily turnover	9,628	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5925-35	6025-30
Previous	5850-60	5950-5
High/low		6070/5970
AM Official	5870-80	5970-5
Kerb close		6050-60
Open int.	21,725	
Total daily turnover	4,179	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1124-6	1152-3
Previous	1104.5-5.5	1131.5-2
High/low	1117.5/1117	1160/1134
AM Official	1117.5-8	1143.5-4
Kerb close		1159-60
Open int.	102,973	
Total daily turnover	15,013	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3014-5	2989-90
Previous	2989-90	2969.5-70
High/low	2995/2993	2997/2960
AM Official	2995-6	2974-5
Kerb close		2993-4
Open int.	231,126	
Total daily turnover	46,461	

■ LME AM Official £/$ rate: 1.5469
LME Closing £/$ rate: 1.5437

Spot:1.5435 3 mths:1.5434 6 mths:1.5432 9 mths:1.5430

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open Int	Vol
Dec	138.35	+1.15	139.10	137.40	1,139	745
Jan	138.70	+1.50	138.50	137.50	2,557	61
Feb	138.50	+1.90	138.90	137.70	827	5
Mar	137.90	+2.45	138.20	135.50	29,410	1,378
Apr	133.90	+2.30	-	-	941	-
May	131.30	+1.95	131.30	129.65	4,380	18
Total					80,583	2,245

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.80-382.20	
Opening	381.80-382.20	
Morning fix	381.80	246.800
Afternoon fix	381.75	246.891
Day's High	382.10-382.50	
Day's Low	381.50-381.90	
Previous close	381.10-381.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.88 6 months 5.84
2 months ....5.03 12 months 6.54
3 months 5.30

Silver Fix	p/troy oz.	US cts equiv.
Spot	310.90	481.00
3 months	315.20	487.70
6 months	320.55	495.95
1 year	332.55	514.55

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	247-250
Maple Leaf	392.55-395.00	-
New Sovereign	89-92	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	383.7	+2.1	383.8	382.1	53	88
Jan	383.8	+2.0	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.45	+0.75	108.50	108.00	876	78
Mar	108.75	+0.90	108.75	109.00	1,753	88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	1695	+25	1695	1685	141	4
Oct	1735	+2	1740	1730	-	21
Total					3,283	96

	Close	Prev
BFI	1972	1976

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	982	-21	1001	978	1,351	274
Mar	986	-7	992	974	43,891	1,384
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	72.97	+0.04	73.00	72.78	8,082	689
Mar	73.80	+0.12	73.60	73.80	110	25
Total					84,573	12,285

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.65	-4.00	113.25	108.00	6,610	10
Mar	112.65	-3.80	117.70	112.40	13,195	1,178
May	116.00	-3.30	120.50	116.00	2,080	48
Jul	119.00	-3.30	123.00	123.00	1,046	28
Sep	121.75	-3.05	126.75	121.75	2,424	2
Nov	120.75	-2.85	-	-	1,579	-
Total					28,925	1,264

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 28	Dec 23	month ago	year ago
2234.6	2225.3	2145.0	1875.8

■ CRB Futures (Base: 1967=100)

Dec 27	Dec 23	month ago	year ago
236.19	235.43	230.59	N/A

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	71.200	-0.125	71.525	71.150	32,732	7,242
Apr	71.750	-0.250	72.175	71.700	23,820	3,500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE

[illegible]

■ BRENT CRUDE IPE

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) +or-

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

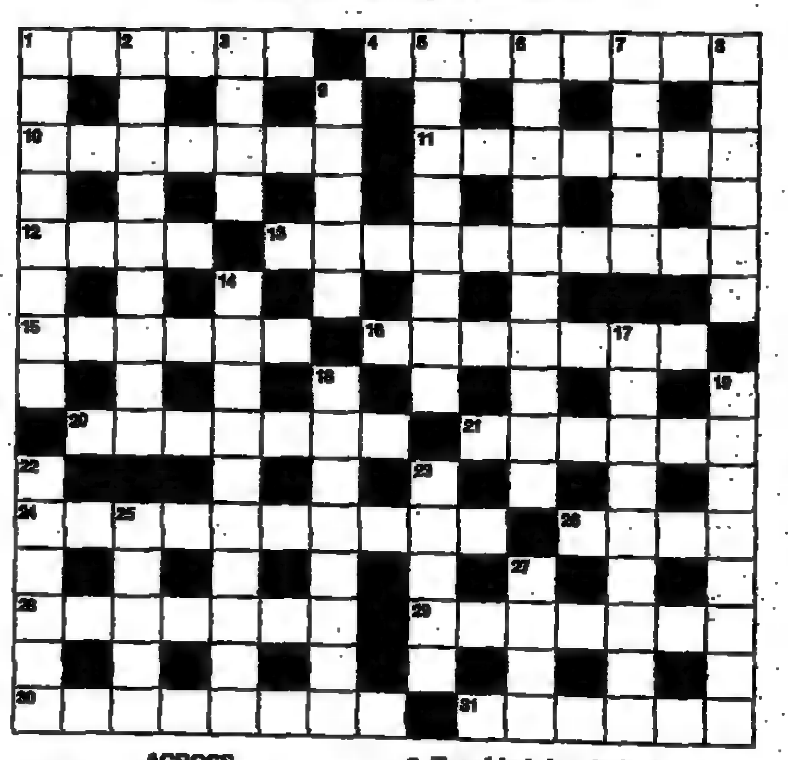
■ OTHER

		+or-
Gold (per troy oz)♣	$382.00	+0.70
Silver (per troy oz)♣	481.5c	+5.5
Platinum (per troy oz.)	$417.25	+0.75
Palladium (per troy oz.)	$158.10	+2.10
Copper (US prod.)	141.0c	
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	14.74r	-0.17
Tin (New York)	280.5c	+5.0
Cattle (live weight)†	128.55p	+1.02*
Sheep (live weight)†♠	123.08p	+0.56*
Pigs (live weight)	83.49p	+0.88*
Lon. day sugar (raw)	$363.70	+0.90
Lon. day sugar (wte)	$418.40	+1.40
Tate & Lyle export	£354.00	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	103.50p	
Rubber (Mar)♥	104.00p	
Rubber (KL RSS No1 Jul)	385.5m	-1.5
Coconut Oil (Phil)§	$695.0y	-5.0
Palm Oil (Malay.)§	$715.0z	+10.0
Copra (Phil)§	$444.0q	+9.0
Soyabeans (US)	£173.0z	
Cotton Outlook'A' Index	N/A	
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Feb. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day.

CROSSWORD

No.8,646 Set by ALAUN



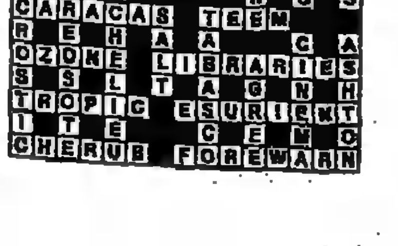
ACROSS

1 The youngster goes in, silly ass, for slimming foods (6)
4 It's a mistake having shoes on – very careless (8)
10 Manage to read, or pretend to (4,3)
11 They know a lot about saucy sex activities (7)
12 "Go where the mood takes one" has a capital sound (4)
13 What made this quarrel unlike the others? (10)
15 Back he goes inside to do some more eavesdropping (6)
16 Is he a mural expert? (7)
20 Very keen on getting a lift to the hotel first (7)
21 Skeleton found at the baker's (6)
24 To say it as concisely as possible, intercede (3,2,1,4)
26 Don't freeze in a jug (4)
28 Got the better of from the outset, in a word (7)
29 Why the celebrity had to leave the restaurant? (7)
30 On the way back, confessing to a murder (8)
31 They're taken and carried out as one tidies things up (6)

DOWN

1 A dark gold cocked hat (8)
2 How the drunk said yes to "Care for a drink?" (4,1,4)
3 Allow things to get out of hand (4)
5 As the smarmed down hair does, if all set to go out? (4,4)
6 Troubled by falling leaves, one needs them (5,5)
7 The bird, a domestic bird or otherwise, has been penned (5)
8 Hurled the blinking thing? (6)
9 Supported audibly, as is proper (5)
14 Saw, on going back, nothing had changed in the city (10)
17 Getting a painter to do the outhouse (9)
18 Housebound after a bad fall (6,2)
19 Volunteers to get rid of the rats (8)
22 Streamed from, as we rushed outside (6)
23 Mark the letter "open" (5)
25 The time, approximately, when the trunk was revealed (5)
27 For lead, it's light (4)

Solution 8,645



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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	—	[illegible]	[illegible]	2,217	2.2	24.9
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	1,138	1.8	[illegible]
Gold Flds Prop R		[illegible]	—	128	75	22.1	8.0	[illegible]
NK Props		85	—	[illegible]	85	3.82	12.8	–
SASOL		[illegible]	—	[illegible]	[illegible]	3,022	2.7	–
SA Brews		[illegible]	[illegible]	[illegible]	£10	4,310	1.9	23.8
Tiger Oats		[illegible]	—	[illegible]	536	1,147	2.0	17.6
Tongaat-Hulett		725	—	[illegible]	[illegible]	[illegible]	2.0	20.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) UK & Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) *for more information on FT Cityline.*

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

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صحكاما من الاحل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Credis Investment Funds

Murray Universal, Sicav

SICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 28 / Sch)

BELGIUM/LUXEMBOURG (Dec 28 / Frs.)

DENMARK (Dec 28 / Kr)

FINLAND (Dec 28 / Mka)

FRANCE (Dec 28 / Frs.)

GERMANY (Dec 28 / Dm.)

ITALY (Dec 28 / Lira)

NETHERLANDS (Dec 28 / Fls.)

NORWAY (Dec 28 / Kroner)

SPAIN (Dec 28 / Pts.)

SWEDEN (Dec 28 / Kronor)

SWITZERLAND (Dec 28 / Frs.)

PACIFIC

JAPAN (Dec 28 / Yen)

AUSTRALIA (Dec 28 / Aus$)

HONG KONG (Dec 28 / H.K.$)

MALAYSIA (Dec 28 / MYR)

SINGAPORE (Dec 28 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 28 / Can $)

4 pm close

MONTREAL (Dec 28 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 28 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, December 28, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy	3.7m	750	-3	Minolta	2.8m	553	+14
Pacific Metals	3.5m	533		Kawasaki Steel	2.7m	412	+4
Sakai Ovex	3.3m	725	-10	Hitachi	2.6m	987	+3
Nippon Steel	3.1m	372	-2	Matsushita Elec	2.6m	1610	+10
Toshiba	2.9m	714		Sumitomo Metal	2.4m	316	+2

INDICES

	Dec 28	Dec 27	Dec 26	1994 High	1994 Low
Argentina					
General (29/12/77)	(a)	15313.31	15667.44	25478.40 16/2/94	15313.31 27/12/94
Australia					
All Ordinaries(1/1/80)	1835.5	(c)	(c)	2340.60 3/2/94	1842.80 12/12/94
All Mining(1/1/80)	937.3	(c)	(c)	1136.10 3/2/94	878.10 12/12/94
Austria					
Credit Aktien(30/12/84)	386.05	385.50	(c)	480.86 2/2/94	376.94 25/10/94
Traded Index(2/1/91)	1056.04	1056.28	(c)	1222.25 1/2/94	1011.38 6/6/94
Belgium					
BEL20 (1/1/91)	1380.73	1405.76	(c)	1542.65 9/2/94	1336.39 7/10/94
Brazil					
Bovespa (29/12/83)	(u)	41137.0	42733.0	55110.00 13/9/94	3800.90 3/1/94
Canada					
Metals Minls♦(1975)	(u)	(c)	(c)	4278.02 20/10/94	3298.08 20/4/94
Composite♦ (1975)	(u)	(c)	(c)	4800.98 23/3/94	3858.90 24/6/94
Portfolio§§ (4/1/83)	(u)	(c)	(c)	2182.89 1/2/94	1908.48 28/6/94
Chile					
IPGA Gen (31/12/80)	(u)	5424.9	5490.2†	5784.48 21/11/94	3801.28 4/4/94
Denmark					
CopenhagenSE(3/1/83)	347.77	344.98	(c)	418.78 2/2/94	335.88 20/12/94
Finland					
HEX General(28/12/90)	1846.0	1836.6	(c)	1872.00 4/2/94	1801.10 3/1/94
France					
SBF 250 (31/12/90)	1266.29	1270.81	1265.89	1506.20 2/2/94	1227.88 25/10/94
CAC 40(31/12/87)	1927.83	1955.98	1966.57	2355.93 2/2/94	1824.42 25/10/94
Germany					
FAZ Aktien(31/12/58)	789.87	787.02	(c)	869.27 18/5/94	742.04 5/10/94
Commerzbank(1/12/53)	2256.6	2249.4	(c)	2495.80 2/5/94	2118.30 5/10/94
DAX (30/12/87)‡	2109.01	2106.15	(c)	2271.11 16/5/94	1969.59 7/10/94
Greece					
Athens SE(31/12/80)	858.38	865.24	(c)	1194.06 18/1/94	804.37 22/11/94
Hong Kong					
Hang Seng(31/7/64)	8268.22	(c)	(c)	12201.08 4/1/94	7707.78 12/12/94
India					
BSE Sens.(1979)	(c)	(c)	(c)	4628.87 12/9/94	3454.00 5/1/94
Indonesia					
Jakarta Comp.(10/8/82)	469.64	466.15	465.72	612.98 5/1/94	447.04 13/12/94
Ireland					
ISEQ Overall(4/1/88)	(c)	(c)	(c)	2082.18 20/1/94	1804.14 1/7/94
Italy					
Banca Comm Ital (1972)	634.09	637.96	(c)	817.17 10/5/94	621.94 13/12/94
MIB Generale (4/1/94)	1028.0	1034.0	(c)	1318.00 10/5/94	942.00 13/12/94
Japan					
Nikkei 225 (16/5/49)	19865.53	19711.38	19728.75	21552.81 13/6/94	17369.74 4/1/94
Nikkei 300 (1/10/82)	285.24	285.92	288.14	311.71 13/6/94	268.22 4/1/94
Topix (4/1/68)	1551.79	1555.05	1558.23	1712.73 13/6/94	1445.97 4/1/94
2nd Section (4/1/68)	2117.04	2118.08	2117.20	2642.66 6/7/94	1873.23 4/1/94
Malaysia					
KLSE Comp.(4/4/86)	973.07	987.84	(c)	1314.46 5/1/94	885.77 12/12/94
Mexico					
IPC (Nov 1978)	(a)	2276.90†	2342.79	2881.17 8/2/94	1957.33 20/4/94
Netherland					
CBS TRtnGen(End 83)	443.8	445.8	(c)	454.90 31/1/94	408.39 21/6/94
CBS All Shr (End 83)	278.4	279.7	(c)	294.80 31/1/94	257.50 21/6/94
New Zealand					
Cap. 40 (1/7/86)	1919.82	(c)	(c)	2439.84 3/2/94	1878.08 12/12/94
Norway					
Oslo SE(Ind)(2/1/83)	1137.98	1129.94	(c)	1211.10 28/2/94	980.91 21/6/94
Philippines					
Manila Comp (2/1/85)	2777.78	2794.58	2791.40	3308.57 4/1/94	2507.33 9/3/94
Portugal					
BTA (1977)	2921.6	2906.3	(c)	3228.80 18/2/94	2812.80 20/6/94
Singapore					
SES All-S'pore(2/4/75)	530.85	533.71	(c)	641.81 4/1/94	508.84 13/12/94
South Africa					
JSE Gold (28/9/78)	1976.1♥	1953.9	(c)	2534.00 7/9/94	1749.00 14/2/94
JSE Ind. (28/9/78)	6961.8♥	6932.2	(c)	6984.18 22/11/94	5446.00 19/1/94
South Korea					
KoreaCmpEx(4/1/80)**	1027.39	1025.33	(c)	1138.75 8/11/94	855.37 2/4/94
Spain					
Madrid SE (30/12/85)	283.59	284.82	(c)	358.31 31/1/94	283.59 28/12/94
Sweden					
AffarsvardsGen (1/2/37)	1483.1	1474.0	(c)	1803.90 31/1/94	1334.70 6/7/94
Switzerland					
Swiss Bk Ind (31/12/58)	1247.17	1254.92	(c)	1423.34 31/1/94	1138.22 27/10/94
SBC General (1/4/87)	934.37	939.53	(c)	1080.29 31/1/94	876.57 27/10/94
Taiwan					
WeightedPr.(30/6/66)**	6947.83	6962.91	(c)	7191.13 30/9/94	5194.83 19/3/94
Thailand					
Bangkok SET (30/4/75)	1363.24	1359.86	1352.80	1783.73 4/1/94	1196.59 4/4/94
Turkey					
Istanbul Comp.(Jan 1986)	27337.3	27171.4	27738.4	28146.10 2/12/94	12980.70 24/3/94
WORLD					
MS Capital Int (1/1/70)$	617.0*	617.7	617.0	649.90 2/11/94	591.50 4/4/94
CROSS-BORDER					
Eurotrack 100(26/10/90)	1346.89	(c)	(c)	1540.19 31/1/94	1288.48 5/10/94
Euro Top-100 (26/6/90)	1188.08	1194.60	1194.03	1331.81 2/2/94	1136.48 5/10/94
JCapsOrgstr (31/12/88)	(u)	304.82	304.39†	386.59 5/1/94	285.48 12/12/94
Barings Emerg.(2/1/92)	(u)	152.98	157.05	181.79 26/9/94	141.85 21/4/94

** Sat Dec 24: Taiwan Weighted Price 6884.11; Korea Comp Ex 1034.80. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 28 - 2097.34 -13.43.

US INDICES

Dow Jones	Dec 27	Dec 23	Dec 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3861.69	3833.43	3814.92	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.90	93.85	93.81	105.91 (21/1/94)	93.61 (28/11/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1440.59	1434.54	1409.85	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.11	181.19	181.99	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3882.21 (3860.01) Low 3832.06 (3808.53) (Theoretical♦)
Day's high 3868.40 (3846.89) Low 3833.43 (3811.56) (Actual♦)

Standard and Poors	Dec 27	Dec 23	Dec 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	462.47	459.83	459.67	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	551.09	547.67	547.33	563.10 (28/10/94)	510.05 (21/4/94)	563.10 (28/10/94)	3.62 (21/6/82)
Financial	41.67	41.59	41.53	48.94 (14/6/94)	38.67 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.99	250.95	250.71	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	429.37	425.78	427.52	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	746.19	742.19	739.34	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 23	Dec 16	Dec 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.80	2.88	2.67
	Dec 21	Dec 14	Dec 7	Year ago
S & P Ind. Div. yield	2.45	2.47	2.48	2.40
S & P Ind. P/E ratio	18.68	18.40	18.29	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	465.95	465.30	-0.70	466.00	465.20	24,827	202,565
Jun	470.10	469.60	-0.15	470.10	469.60	384	7,047
Sep	-	474.80	-	-	474.80	37	2,150

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1957.0	1924.0	-31.0	1958.0	1923.0	22,829	21,111
Jan	1964.5	1932.5	-31.0	1966.5	1931.0	11,390	15,595
Feb	1974.5	1942.5	-31.0	1974.5	1947.5	1	1,088

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	13,685,100	38	-2⅜
RJR Nabisco	3,358,200	5⅝	+⅛
Wal-Mart	3,104,600	21⅜	-⅛
YPF Soc	2,389,400	20⅝	-⅜
K Mart	2,337,300	12⅝	-⅛
Gen Motors	2,257,400	41⅞	+⅛
Mexico Fd	1,885,900	20¼	-3
Grupo Tele	1,874,300	28⅝	-3⅛
Citicorp	1,787,900	40⅜	-1⅝
Amoco	1,779,200	58¾	-1

■ TRADING ACTIVITY

● Volume (million)

	Dec 27	Dec 23	Dec 22
New York SE	211.087	198.409	339.871
Amex	17.848	15.174	17.773
NASDAQ	208.357	183.850	330.834
NYSE			
Issues Traded	2,916	2,911	2,958
Rises	1,211	1,215	1,100
Falls	1,029	947	1,202
Unchanged	676	749	656
New Highs	52	27	41
New Lows	128	90	121

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

MARKETS REPORT

Mexican peso recovers off recent record lows

Higher interest rates and rumours of central bank support yesterday helped the Mexican peso bounce back from record lows, *writes Philip Gawith.*

After losing nearly 40 per cent of its value over the previous week, closing on Tuesday at 5.65 pesos to the dollar, it made a six per cent gain to close in London at 5.3 pesos.

Helping the peso was the upward surge in interest rates. The primary rate on 28-day treasury bills rose by 15 percentage points from last week, to 31 per cent, in the central bank's weekly auction.

There was also speculation that Mexico had started to use the $6bn line of credit extended to it by the US and Canada.

Trading conditions were very thin, contributing to some exaggerated market movements. This was exemplified by the dollar's sharp downward spike in early afternoon US trading. It fell three pfennigs to DM1.54, and nearly two yen, to Y98.6, before bouncing back to DM1.5450 and Y99.

There was little evidence, however, of heavy volumes being traded, or of any sustained downward move being underway.

The weaker dollar, and political worries, pulled sterling lower. The pound finished at DM2.4309, from DM2.4385. In afternoon Wall St trading, it was at DM2.4198.

Elsewhere, the Canadian dollar breached the C$1.40 level against the dollar to finish at C$1.403, its lowest level since 1986.

■ The peso's recovery followed comments from Mr Larry Summers, US Treasury under-secretary, that its fall was not warranted by economic fundamentals. He said "excessive depreciation" was not in anyone's interest. Mexico has a currency swap line totalling nearly $7bn with the US and Canada.

Mr Summers said the US had confidence "in the underlying soundness of Mexican economic policies." He said the US Treasury was in close contact with Mexico and Canada about the situation in the currency markets.

■ Aside from higher Mexican interest rates, the other development touching on the dollar was the publication of Japanese trade and current account figures for November.

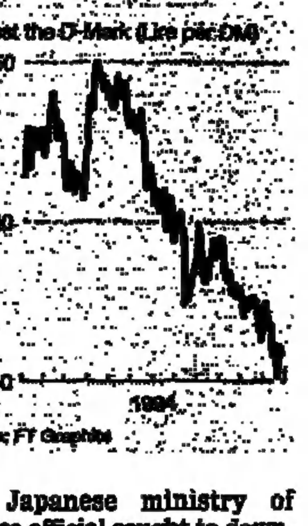
Japan's politically sensitive current account surplus rose in November by 15.4 per cent from a year earlier – the first rise since June. The size of this surplus has been a continuing source of friction between the US and Japan, and exerted downward pressure on the dollar over the year.

■ **Pound in New York**

Dec 28	—Latest—	– Prev. close –
£ spot	1.5435	1.5455
1 mth	1.5432	1.5454
3 mth	1.5434	1.5463
1 yr	1.5428	1.5447

Lira

Against the D-Mark (Lire per DM)



Source: FT Graphite

A Japanese ministry of finance official sought to downplay the figure, saying Japan's trade surplus was still on a downtrend, both in yen and dollar terms, though subject to monthly fluctuations.

One positive factor for the dollar was the continued recovery in the US bond market. The yield on the 30-year treasury bond has recovered to 7.79 per cent, having recently been as high as 8.15 per cent.

■ After starting in Europe around DM2.4390, sterling lost nearly two pfennigs by the afternoon in New York. Mr Paul Downs, analyst at Technical Data in London, attributed the pound's weakness to "overseas lack of confidence in the Conservative government."

He said support at DM2.4250 was "very significant", as a break below this level could trigger stop-loss selling, leading to a decline to DM2.40.

On the other UK news of the day, the monthly monetary meeting, Mr Geoffrey Dicks, UK economist at NatWest Markets, said he would be surprised if interest rates were raised again this month. "Our view is that another ½ per cent rate rise will come in February, prompted by the Bank's next inflation report."

The Bank of England cleared a £350m money market shortage, at established rates, in its daily operations.

■ Traders said the weakness in the Canadian dollar was more a case of ongoing market momentum, rather than any specific development. Despite reported Bank of Canada support, the dollar breached the crucial C$1.40 level against the US dollar, to finish in London at C$1.403 - its lowest level since touching C$1.45 in 1986. The Canadian dollar has been weakening steadily since touching C$1.12 in 1991.

Mr Jonathan Griggs, economic adviser at Barclays in London, said the Bank of Canada seemed "prepared to see a degree of currency weakness. It is not prepared to raise rates to defend the currency."

■ **OTHER CURRENCIES**

Dec 28	£	$
Hungary	176.359 - 176.748	114.200 - 114.400
Iran	2706.00 - 2709.00	1748.00 - 1750.00
Kuwait	0.4633 - 0.4647	0.3000 - 0.3008
Poland	37958.8 - 37988.2	24580.0 - 24596.0
Russia	5458.96 - 5463.80	3534.30 - 3537.00
U.A.E.	5.6714 - 5.6748	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1140	-0.0496	062 - 217	17.1656	17.1062	17.1002	1.0	17.0596	1.3	-	-	115.5
Belgium	(BFr)	49.9494	-0.124	303 - 684	50.1390	49.9303	49.9194	0.7	49.8144	1.1	49.2344	1.4	117.3
Denmark	(DKr)	9.5390	-0.0253	345 - 435	9.5725	9.5342	9.5357	0.4	9.5432	-0.2	9.5097	0.3	116.6
Finland	(FM)	7.3765	+0.0004	671 - 859	7.4190	7.3650	-	-	-	-	-	-	89.6
France	(FFr)	8.3999	-0.0216	964 - 033	8.4315	8.3957	8.4012	-0.2	8.3957	0.2	8.3423	0.7	109.5
Germany	(DM)	2.4309	-0.0076	300 - 317	2.4406	2.4288	2.4293	0.8	2.4247	1.0	2.3904	1.7	126.5
Greece	(Dr)	376.045	-1.069	728 - 362	377.263	375.728	-	-	-	-	-	-	-
Ireland	(I£)	1.0102	-0.0032	094 - 109	1.0142	1.0094	1.0104	-0.2	1.0094	0.3	1.0082	0.2	105.1
Italy	(L)	2540.64	+1.28	929 - 199	2545.68	2537.68	2546.84	-2.8	2558.34	-2.5	2606.64	-2.6	72.8
Luxembourg	(LFr)	49.9494	-0.124	303 - 684	50.1390	49.9303	49.9194	0.7	49.8144	1.1	49.2344	1.4	117.3
Netherlands	(Fl)	2.7225	-0.0063	211 - 238	2.7334	2.7211	2.7207	0.8	2.7155	1.0	2.6787	1.6	121.1
Norway	(NKr)	10.6087	-0.0351	039 - 134	10.6483	10.6026	10.609	0.0	10.6076	0.0	10.5987	0.1	96.0
Portugal	(Es)	249.847	-0.686	713 - 981	251.871	249.713	250.667	-3.9	252.142	-3.7	-	-	-
Spain	(Pta)	205.763	-0.455	670 - 856	206.433	205.660	206.123	-2.1	206.843	-2.1	210.103	-2.1	84.5
Sweden	(SKr)	11.5891	+0.0097	807 - 975	11.6235	11.5260	11.6061	-1.8	11.6386	-1.7	11.7576	-1.5	76.0
Switzerland	(SFr)	2.0522	-0.0058	511 - 533	2.0618	2.0507	2.0487	2.0	2.042	2.0	1.9957	2.7	121.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.5
Ecu	-	1.2764	-0.0038	775 - 792	1.2831	1.2795	1.2786	-0.1	1.2788	-0.1	1.2711	0.6	-
SDR†	-	0.934626	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5448	-0.0011	443 - 452	1.5487	1.5437	-	-	-	-	-	-	-
Brazil	(R$)	1.3207	+0.0031	188 - 225	1.3260	1.3188	-	-	-	-	-	-	-
Canada	(C$)	2.1671	+0.0019	662 - 679	2.1731	2.1657	2.1676	-0.2	2.1686	-0.3	2.1763	-0.5	84.7
Mexico	(New Peso)	8.1867	-0.5511	304 - 430	8.5179	7.8610	-	-	-	-	-	-	-
USA	($)	1.5447	-0.0018	443 - 450	1.5487	1.5432	1.5448	-0.1	1.5449	0.0	1.5452	0.0	63.7
Pacific/Middle East/Africa													
Australia	(A$)	1.9856	-0.0067	845 - 866	1.9933	1.9845	1.9875	-1.1	1.992	-1.3	2.0213	-1.8	-
Hong Kong	(HK$)	11.9551	-0.0125	516 - 586	11.9854	11.9447	11.9011	5.4	11.9006	1.8	11.9156	0.3	-
India	(Rs)	48.5117	-0.06	949 - 285	48.6331	48.4260	-	-	-	-	-	-	-
Japan	(Y)	155.045	-0.271	971 - 118	155.430	154.800	154.525	4.0	153.45	4.1	147.595	4.8	188.7
Malaysia	(M$)	3.9582	-0.0036	565 - 598	3.9693	3.9547	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4021	-0.0025	006 - 035	2.4093	2.4004	2.4085	-3.2	2.4208	-3.1	2.4587	-2.4	-
Philippines	(Peso)	37.8285	+0.4804	427 - 143	37.9143	36.9494	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7940	-0.0072	924 - 956	5.8087	5.7881	-	-	-	-	-	-	-
Singapore	(S$)	2.2623	-0.0018	612 - 633	2.2676	2.2605	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4993	-0.0129	969 - 017	5.5172	5.4946	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3254	+0.0311	085 - 422	6.3422	6.3016	-	-	-	-	-	-	-
South Korea	(Won)	1220.51	-1.77	015 - 086	1223.63	1219.28	-	-	-	-	-	-	-
Taiwan	(T$)	40.8510	-0.049	382 - 637	40.9546	40.8108	-	-	-	-	-	-	-
Thailand	(Bt)	38.8194	-0.0403	067 - 320	38.9170	38.7870	-	-	-	-	-	-	-

†SDR rates for Dec 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.0795	-0.019	770 - 820	11.1080	11.0770	11.072	0.8	11.0555	0.9	10.958	1.1	104.5
Belgium	(BFr)	32.3370	-0.0415	320 - 420	32.4100	32.3320	32.3145	0.8	32.247	1.1	31.882	1.4	106.2
Denmark	(DKr)	6.1755	-0.009	740 - 770	6.1920	6.1740	6.1767	-0.2	6.1765	-0.1	6.163	0.2	105.0
Finland	(FM)	4.7755	+0.006	705 - 805	4.7985	4.7675	4.7733	0.6	4.77	0.5	4.753	0.5	84.0
France	(FFr)	5.4380	-0.0075	370 - 390	5.4500	5.4330	5.4368	0.3	5.4348	0.2	5.4025	0.7	105.7
Germany	(D)	1.5737	-0.0031	735 - 739	1.5788	1.5734	1.5726	0.8	1.5696	1.1	1.548	1.6	107.1
Greece	(Dr)	243.450	-0.4	300 - 600	244.200	243.300	245.95	-12.3	250.9	-12.2	268.2	-10.2	68.3
Ireland	(I£)	1.5292	+0.0031	284 - 299	1.5290	1.5241	1.5297	-0.4	1.5298	-0.1	1.53	-0.1	-
Italy	(L)	1644.80	+2.8	430 - 530	1646.00	1642.25	1648.56	-2.7	1654.8	-2.4	1687.3	-2.6	73.6
Luxembourg	(LFr)	32.3370	-0.0415	320 - 420	32.4100	32.3320	32.3145	0.8	32.247	1.1	31.882	1.4	106.2
Netherlands	(Fl)	1.7625	-0.002	620 - 630	1.7670	1.7620	1.7613	0.9	1.7578	1.1	1.7348	1.6	105.6
Norway	(NKr)	6.8680	-0.0145	665 - 695	6.8899	6.8665	6.8682	0.0	6.8705	-0.1	6.808	0.9	96.0
Portugal	(Es)	161.750	-0.25	700 - 800	162.950	161.700	162.375	-4.6	163.5	-4.3	167.5	-3.6	94.8
Spain	(Pta)	133.210	-0.135	180 - 240	133.550	133.180	133.435	-2.0	133.895	-2.1	136.06	-2.1	79.7
Sweden	(SKr)	7.5026	+0.0153	990 - 065	7.5131	7.4954	7.5141	-1.8	7.5353	-1.7	7.6178	-1.5	81.6
Switzerland	(SFr)	1.3286	-0.0021	282 - 290	1.3333	1.3282	1.3263	2.1	1.3219	2.0	1.2931	2.7	106.7
UK	(£)	1.5447	-0.0018	443 - 450	1.5487	1.5432	1.5448	-0.1	1.5449	0.0	1.5452	0.0	88.0
Ecu	-	1.2083	+0.0021	078 - 088	1.2088	1.2042	1.2081	0.2	1.2079	0.1	1.2146	-0.5	-
SDR†	-	1.44833	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0005	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.8550	+0.003	540 - 560	0.8570	0.8540	-	-	-	-	-	-	-
Canada	(C$)	1.4030	+0.0029	027 - 032	1.4046	1.4020	1.4032	-0.1	1.405	-0.6	1.414	-0.8	81.5
Mexico	(New Peso)	5.3000	-0.35	000 - 000	5.5005	5.1000	5.301	-0.2	5.3028	-0.2	5.3102	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2854	-0.0028	850 - 858	1.2879	1.2846	1.2861	-0.7	1.2879	-0.8	1.3007	-1.2	92.4
Hong Kong	(HK$)	7.7397	+0.0012	392 - 402	7.7402	7.7390	7.7377	0.3	7.7365	0.2	7.7442	-0.1	-
India	(Rs)	31.4063	-0.0012	025 - 100	31.4300	31.3350	31.4763	-2.7	31.6213	-2.7	-	-	-
Japan	(Y)	100.375	-0.055	350 - 400	100.520	100.290	100.035	4.1	99.335	4.1	95.59	4.8	148.9
Malaysia	(M$)	2.5625	+0.0007	620 - 630	2.5640	2.5620	2.5595	1.4	2.555	1.2	2.583	-0.8	-
New Zealand	(NZ$)	1.5550	+0.0002	544 - 556	1.5592	1.5537	1.5559	-0.7	1.5584	-0.9	1.5674	-0.8	-
Philippines	(Peso)	24.4900	+0.34	400 - 400	24.5400	24.4400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.0002	508 - 512	3.7512	3.7508	3.7545	-1.1	3.7614	-1.1	3.778	-0.7	-
Singapore	(S$)	1.4646	+0.0006	642 - 649	1.4650	1.4632	1.463	1.3	1.4596	1.4	1.4431	1.5	-
S Africa (Com.)	(R)	3.5603	-0.004	595 - 610	3.5680	3.5610	3.5758	-5.2	3.6079	-5.3	3.7728	-6.0	-
S Africa (Fin.)	(R)	4.0950	+0.025	850 - 050	4.1050	4.0800	4.123	-8.2	4.1675	-7.1	4.405	-7.6	-
South Korea	(Won)	790.150	-0.2	100 - 200	790.200	790.100	793.15	-4.6	796.65	-3.3	815.15	-3.2	-
Taiwan	(T$)	26.4468	-	445 - 490	26.4490	26.4380	26.4668	-0.9	26.5068	-0.9	-	-	-
Thailand	(Bt)	25.1315	+0.004	290 - 340	25.1340	25.1300	25.161	-1.4	25.252	-1.9	25.6565	-2.1	-

†SDR rate for Dec 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 27. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¾	6⅝	6⅝	5½	6¼	7.40	4.50	-
week ago	5¾	5⅝	5⅞	5⅝	6¼	7.40	4.50	-
France	5⅝	5⅝	6⅛	6⅝	7⅛	5.00	-	6.75
week ago	5⅝	5⅝	6⅛	6⅛	6⅝	5.00	-	6.75
Germany	4.88	5.23	5.23	5.43	5.83	6.00	4.50	4.85
week ago	4.83	5.23	5.40	5.50	5.83	6.00	4.50	4.85
Ireland	5⅛	5⅞	6⅛	6⅞	7⅛	-	-	6.25
week ago	5⅜	5⅞	6⅛	6⅞	7⅛	-	-	6.25
Italy	8⅝	8¾	8⅞	9¾	10¼	-	7.50	8.20
week ago	8⅝	8¼	9	9¾	10¼	-	7.50	8.20
Netherlands	4.84	5.31	5.37	5.57	5.95	-	5.25	-
week ago	4.84	5.31	5.45	5.58	5.94	-	5.25	-
Switzerland	3¾	4	4⅛	4½	4⅞	6.625	3.50	-
week ago	3⅜	4	4⅛	4⅜	4⅞	6.625	3.50	-
US	5½	6¼	6⅝	6¾	7¼	-	4.75	-
week ago	5½	6¼	6½	6¾	7¼	-	4.75	-
Japan	2¼	2⅛	2⅛	2⅛	2⅜	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6¼	6½	7	7⅜	-	-	-
week ago	-	6¼	6⅝	6⅞	7⅜	-	-	-
US Dollar CDs	-	5.51	6.00	6.54	7.34	-	-	-
week ago	-	5.51	5.96	6.49	7.28	-	-	-
SDR Linked Ds	-	4¾	4¾	5¼	5⅜	-	-	-
week ago	-	4¾	4¾	5¼	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6¼; 6 mths: 6; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅝ - 5½	5⅝ - 5¼	5⅝ - 5½	5½ - 5⅜	5⅝ - 5½	6⅝ - 6½
Danish Krone	5¼ - 5	5⅝ - 5½	5¾ - 5½	6½ - 6⅜	6½ - 6¼	7⅛ - 6⅞
D-Mark	4 - 3¾	5⅛ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5½ - 5⅜	5⅞ - 5¾
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.81	4.867	2.022	5086	5.451	21.24	500.1	411.8	23.20	4.108	2.002	4.338	3.091	310.3	2.559
Denmark	(DKr)	52.36	10	8.805	2.548	1.059	2663	2.855	11.12	261.9	215.6	12.15	2.151	1.048	2.272	1.619	162.5	1.340
France	(FFr)	59.47	11.36	10	2.894	1.203	3024	3.242	12.63	297.4	244.9	13.80	2.443	1.191	2.580	1.838	184.5	1.522
Germany	(DM)	20.55	3.924	3.455	1	0.415	1045	1.120	4.364	102.8	84.62	4.768	0.844	0.411	0.891	0.635	63.76	0.526
Ireland	(I£)	49.46	9.445	8.316	2.407	1	2515	2.696	10.50	247.3	203.7	11.48	2.032	0.990	2.146	1.529	153.5	1.265
Italy	(L)	1.967	0.376	0.331	0.096	0.040	100.	0.107	0.418	9.835	8.098	0.456	0.081	0.039	0.085	0.061	6.102	0.050
Netherlands	(Fl)	18.34	3.503	3.084	0.893	0.371	932.8	1	3.896	91.74	75.54	4.256	0.754	0.367	0.796	0.567	56.92	0.469
Norway	(NKr)	47.08	8.991	7.916	2.291	0.952	2394	2.566	10	235.4	193.9	10.92	1.934	0.943	2.042	1.455	146.1	1.205
Portugal	(Es)	20.00	3.819	3.362	0.973	0.404	1017	1.090	4.247	100.	82.35	4.640	0.821	0.400	0.867	0.618	62.05	0.512
Spain	(Pta)	24.28	4.637	4.083	1.182	0.491	1235	1.324	5.158	121.4	100.	5.634	0.998	0.486	1.053	0.751	75.35	0.621
Sweden	(SKr)	43.10	8.230	7.247	2.097	0.871	2192	2.349	9.154	215.5	177.5	10	1.770	0.863	1.870	1.332	133.7	1.103
Switzerland	(SFr)	24.34	4.649	4.093	1.185	0.492	1238	1.327	5.171	121.7	100.2	5.648	1	0.487	1.056	0.752	75.54	0.623
UK	(£)	49.95	9.539	8.399	2.431	1.010	2540	2.723	10.61	249.8	205.7	11.59	2.052	1	2.167	1.544	155.0	1.278
Canada	(C$)	23.05	4.402	3.876	1.122	0.466	1172	1.257	4.896	115.3	94.92	5.348	0.947	0.461	1	0.713	71.53	0.590
US	($)	32.35	6.178	5.440	1.574	0.654	1645	1.764	6.872	161.8	133.2	7.506	1.329	0.648	1.403	1	100.4	0.828
Japan	(Y)	32.23	6.154	5.419	1.568	0.652	1639	1.757	6.845	161.2	132.7	7.477	1.324	0.645	1.398	0.996	100.	0.825
Ecu		39.08	7.464	6.572	1.902	0.790	1987	2.131	8.302	195.5	161.0	9.069	1.606	0.782	1.696	1.208	121.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6355	0.6363	+0.0003	0.6364	0.6349	5,167	72,161
Jun	-	0.6388	+0.0011	-	-	1	1,828
Sep	0.6416	0.6416	-0.0002	0.6416	0.6416	1	138

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0045	1.0054	+0.0005	1.0054	1.0035	5,482	71,168
Jun	1.0178	1.0178	+0.0001	1.0178	1.0178	23	3,763
Sep	-	1.0308	-0.0026	-	-	8	327

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7520	0.7544	-0.0009	0.7550	0.7531	3,672	37,771
Jun	-	0.7593	-	-	0.7592	20	623
Sep	-	0.7650	-	-	0.7650	9	54

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5478	1.5454	+0.0002	1.5476	1.5440	1,516	58,327
Jun	1.5458	1.5458	+0.0008	1.5458	1.5458	5	518
Sep	-	1.5462	+0.0002	-	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Dec 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 4	5⅞ - 5⅝	6⅛ - 5⅞	6½ - 6⅜	7⅛ - 7	7 11/16 - 7 11/16
Sterling CDs	-	-	5 15/16 - 5⅞	6⅜ - 6¼	6 11/16 - 6 13/16	7⅝ - 7 9/16
Treasury Bills	-	-	5 13/16 - 5 11/16	6⅛ - 6	-	-
Bank Bills	-	-	6 1/32 - 5 31/32	6 7/32 - 6 7/32	6 11/16 - 6 11/16	-
Local authority deps.	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 15/16 - 5 13/16	6 7/16 - 6⅜	7 - 6⅞	7 13/16 - 7 11/16
Discount Market deps	5 - 4	5½ - 5⅜	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.8351pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1994, Schemes II & III 7.39pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.71	92.66	-0.03	92.71	92.66	5528	93171
Jun	92.00	91.97	-0.02	92.00	91.97	862	63412
Sep	91.52	91.48	-0.02	91.52	91.49	708	60412
Dec	91.21	91.18	-0.02	91.21	91.18	107	45096

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9275	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 100 Puts 1752. Previous day's open int., Calls [illegible] Puts [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Dec 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	40.2123	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1.94964	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	0.808628	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.43679	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	6.53883	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	192.854	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	154.250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON ERM MEMBERS						
Greece	264.513	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1793.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	0.786749	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls 3,370 Puts 3,607. Prev. day's open int., Calls [illegible] Puts [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
9425	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9475	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 100 Puts 100. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	
Allied Trust Bank	6.25	Exeter Bank Limited	7.25		
AIB Bank	6.25	Financial & Gen Bank	6.5		
•Henry Ansbacher	6.25	•Robert Fleming & Co	6.25	Royal Bk of Scotland	6.25
Bank of Baroda	6.25	Girobank	6.25	•Smith & Williamson Secs	6.25
Banco Bilbao Vizcaya	6.25	•Guinness Mahon	6.25	TSB	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	•United Bk of Kuwait	6.25
Bank of Ireland	6.25	•Hambros Bank	6.25	Unity Trust Bank Plc	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Western Trust	6.25
Bank of Scotland	6.25	•Hill Samuel	6.25	Whiteaway Laidlaw	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.25
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
•Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	• Members of London Investment Banking Association	
CL Bank Nederland	6.25	•Leopold Joseph & Sons	6.25	* In administration	
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Meghraj Bank Ltd	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	* Mount Banking	6.25		
Credit Lyonnais	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	Rea Brothers	6.25		

LEGAL NOTICES

No. 007404 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF CHARTER plc

-AND-

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice, Chancery Division dated 20th December 1994 confirming the cancellation of share premium account of the above-named Company [illegible] was registered by the Registrar of Companies on the 21st December 1994.

DATED the 21st December 1994

Slaughter and May, 35 Basinghall Street, London EC2V 5DB. (Ref: [illegible]) Solicitors for the above named Company

No. 007413 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF RAPIDE MACHINERY COMPANY LIMITED

-AND-

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 21st December 1994 confirming the reduction of the capital of the above named Company from £[illegible] to £[illegible] and the minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 21st December 1994.

Slaughter and May, 35 Basinghall Street, London EC2V 5DB. Solicitors for the above named Company

4 pm close December 28

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 28

AMEX COMPOSITE PRICES

4 pm close December 28

4 pm close December 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	11⅞	AAR	0.48	3.7	23	145	12⅞	12⅝	12⅞	+⅛
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
70⅞	57⅝	AMP	1.68	2.3	22	1288	73	71⅝	73	+⅞
72¾	48⅛	AMR			111	2897	53⅛	52½	52⅝	-¼
5	3⅛	ARX			12	95	3⅞	3¾	3⅞	
58⅛	38⅝	ASA	2.00	4.4	29	1315	45¼	43⅞	45¼	+1⅝
33⅞	25⅛	Abbott L	0.76	2.3	18	5210	33¼	32⅝	33	-¼
15¼	11⅞	AbtIbi Pr	0.50	3.7	12	18	13⅞	13⅝	13⅝	-⅛
23⅞	17¾	ABM Ind	0.60	2.6	14	67	23⅝	23⅛	23½	-⅛
18	11⅛	Acptncaln			10	205	14⅞	14¾	14⅞	
31	20¾	ACE Ltd	0.44	2.0	21	687	22⅝	22	22¼	+¼
12½	9	ACM Gvt In	1.08	12.0	8	434	9¼	9⅛	9⅛	
10⅛	6⅞	ACM GvOpp	0.80	10.8		212	7⅜	7⅛	7⅜	+¼
10⅝	6¼	ACM Gvt Sp	0.96	13.2		144	7⅜	7¼	7¼	
12	7⅝	ACM Gvt Sa	1.09	13.5		824	8⅛	8⅛	8⅛	-⅛
11¾	7⅞	ACM Mac	1.08	13.1		162	8⅜	8¼	8¼	
9¼	7⅝	ACM Managd	0.72	9.4		144	7¾	d7⅝	7⅝	-⅛
15½	8¾	AcmeCle	0.44	4.3	20	145	10⅜	10¼	10¼	
13⅞	6½	Acme Elect			12	25	12½	12⅛	12¼	-¼
32⅞	23	Acordia	0.60	1.8	16	25	u32⅞	32⅜	32½	+⅛
13⅜	5¼	Actava	0.36	4.1	2	248	8⅞	8⅝	8¾	-⅛
18⅞	11¼	Acuson			27	161	16⅞	16⅝	16⅝	-¼
18⅞	15½	Adams Expr	0.68	4.4	0	213	15¾	d15½	15½	-⅛
64	46½	Ad Micro	3.00	5.8		39	52¼	51½	52⅛	+⅞
31¾	18¾	AdvMic	3.00	12.4	7	5292	24½	23⅞	24⅛	+⅛
6⅞	5	Advest Grp	0.16	3.0	15	151	5¼	d5	5¼	+¼
20	15	Advo Inc	0.10	0.6	16	852	17¼	17	17	
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

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